

RECOMMENDED MERGER OF BEACH AND DRILLSEARCH

Positioning for future growth through a logical combination

- **Combination of Beach and Drillsearch to be implemented via a scheme of arrangement**
- **Drillsearch shareholders to receive 1.25 Beach shares for every Drillsearch share held**
- **Premium for Drillsearch shareholders of 30%¹ based on the 3-month VWAP for each of Beach and Drillsearch**
- **Significant benefits for both sets of shareholders**
- **Creates the leading mid-cap oil and gas company on the ASX, with a market capitalisation of approximately \$1,169 million²**
- **Logical combination of two complementary businesses**
- **Combined entity primed for growth**
- **Estimated pre-tax synergies and cost savings of ~\$20 million per annum³**

Beach Energy Limited (**Beach**) (ASX: (BPT)) and Drillsearch Energy Limited (**Drillsearch**) (ASX: (DLS)) are pleased to announce that they have entered into a binding Merger Implementation Agreement that will create the leading mid-cap ASX oil and gas company through an all-scrip merger.

Under the terms of the agreement, Beach has agreed to acquire all of the shares in Drillsearch that it does not already own⁴ via a Scheme of Arrangement (**the Scheme**). Drillsearch shareholders will receive 1.25 Beach shares for each Drillsearch share held.

The merger will create a company of enhanced scale that is positioned for future growth, with combined FY2015 production of 12.1 MMboe⁵ and an expanded portfolio of oil, gas and infrastructure assets. The Boards of both Drillsearch and Beach believe this is a logical combination of two complementary, overlapping businesses, with the opportunity to generate significant value for shareholders of both companies.

The Directors of Drillsearch unanimously recommend that all Drillsearch shareholders vote in favour of the Scheme and they intend to vote the Drillsearch shares that they control in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert finding that the Scheme is in the best interests of Drillsearch shareholders.

Transaction summary

Based on the 1.25 exchange ratio, the consideration to be offered to Drillsearch shareholders values Drillsearch at a price of \$0.83 per share and a market capitalisation of \$384 million.⁶ This represents an attractive premium⁷ of:

- 27%⁸ to the closing price of Drillsearch shares on the ASX on 22 October 2015 of \$0.655 per share;

¹ Based on the VWAP of Beach shares of \$0.65 per share over the 3-month period up to and including 22 October 2015

² Based on the combined market capitalisations of Drillsearch and Beach at closing share prices on 22 October 2015

³ Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a. as announced by Drillsearch on 19 February 2015

⁴ Beach currently owns ~4.56% of Drillsearch's total issued share capital

⁵ Based on 2015 Full Year Reports, including Appendix 4E, Directors' Report and Financial Statements

⁶ Based on the closing price of Beach shares on ASX on 22 October 2015, being the last trading day prior to this announcement

⁷ The ratio of 1.25 Beach shares per Drillsearch share under the Scheme consideration is a fixed ratio and therefore, the implied value per Drillsearch share will vary as the market price of Beach shares varies

⁸ Based on the closing price of Beach shares of \$0.665 on ASX on 22 October 2015

- 21%⁹ to Drillsearch's 1-month volume weighted average price (VWAP) of \$0.58 per share up to and including 22 October 2015; and
- 30%¹⁰ to Drillsearch's 3-month VWAP of \$0.63 per share up to and including 22 October 2015.

If the Scheme is implemented, Drillsearch shareholders will own approximately 30% of the total issued share capital of the combined group.¹¹ It is intended that Drillsearch's US\$125 million of outstanding convertible notes will be redeemed in accordance with their terms from a combination of cash on hand and available debt facilities shortly after the implementation of the Scheme.

The transaction is subject to the approval of Drillsearch shareholders at a shareholder meeting expected to occur in late January 2016, as well as Court approval and other conditions.

As a consequence of Seven Group Holdings Limited and its subsidiaries (**Seven**) holding a substantial interest in both Beach and Drillsearch, ASX Listing Rule 10.1 may require approval from Beach shareholders (by a 50% resolution) in respect of Beach's acquisition of Seven's Drillsearch shares (**Substantial Shareholder Acquisition**). Beach is in discussions with the ASX regarding a waiver to Listing Rule 10.1, which (if granted) would remove the need for Beach shareholder approval.

The Directors of Beach unanimously recommend that all Beach shareholders vote in favour of the Substantial Shareholder Acquisition and they intend to vote the Beach shares that they control in favour of the Substantial Shareholder Acquisition, in the absence of a superior proposal and subject to the opinion of an independent expert regarding the Substantial Shareholder Acquisition.

Transaction rationale and benefits to shareholders

The combination of Drillsearch and Beach is based on the clear strategic rationale of unlocking value from an existing partnership whereby Beach already operates two key shared assets of the companies, being:

- The producing Western Flank Oil Fairway Joint Venture formerly known as PEL 91 (PRLs 151 to 172 and PPLs 253 to 256), including the prolific Bauer oil field; and
- The producing Western Wet Gas Joint Venture formerly known as PEL 106 (PRLs 129 and 130 and PPLs 239 and 257).

In addition, the combined group will be in a stronger position to take advantage of future growth opportunities as a result of its increased scale and balance sheet strength.

Given the overlapping interests of the two companies, the Boards of both Drillsearch and Beach believe the transaction will realise synergies and cost savings of ~\$20 million per annum (on a pre-tax basis and excluding one-off integration costs). These would be principally sourced from increased operational efficiencies and elimination of duplicated corporate and administrative functions, with the opportunity to relocate the majority of Drillsearch's corporate functions to Beach's office in Adelaide. The synergies and cost savings are targeted to be achieved within two years after implementation of the transaction.

As a shareholder in the combined group, Drillsearch and Beach shareholders would also benefit from the opportunity to participate in:

⁹ Based on the VWAP of Beach shares of \$0.56 per share over the 1-month period up to and including 22 October 2015

¹⁰ Based on the VWAP of Beach shares of \$0.65 per share over the 3-month period up to and including 22 October 2015

¹¹ Assumes all options are acquired for cash, all performance rights vest and no conversion of Convertible Notes; Beach currently holds 21,053,615 Drillsearch shares (~4.56%)

- The leading oil operator and largest oil producer in the Cooper and Eromanga basins with positions in all of the major oil producing permits of the highly successful Western Flank¹²;
- The Cooper Basin's second largest gas producer;
- Ownership interests in key infrastructure used to process hydrocarbons from the Cooper Basin region;
- Ownership of extensive gas reserves and resources well situated to supply gas markets on Australia's east coast;
- A significantly expanded knowledge base relating to the Cooper Basin; and
- Pro-forma FY2015 revenue of \$978 million, operating cash flow of \$313 million and production of 12.1 MMboe.¹³

Support from Drillsearch and Beach Boards

Commenting on the merger, Jim McKerlie, Chairman of Drillsearch said, "The combination of Drillsearch and Beach is a highly attractive and unique opportunity for Drillsearch shareholders to participate in the creation of the leading mid-cap oil and gas company on the ASX. Under the all-scrip consideration, Drillsearch shareholders will receive a premium for their shares while also gaining exposure to a company of enhanced scale and balance sheet strength that is well positioned to take advantage of growth opportunities."

Glenn Davis, Chairman of Beach said, "This is a common sense combination of two Cooper Basin businesses sharing significant core assets. The proposed merger will provide both Beach and Drillsearch shareholders exposure to a more efficient, cost effective and diverse Cooper Basin business with larger production and reserves, delivering real benefits to all shareholders."

Merger Implementation Agreement

The Scheme is subject to certain terms and conditions, which are contained in the Merger Implementation Agreement and include:

- Approval from Drillsearch shareholders¹⁴, ASIC and the Court;
- The independent expert concluding that the Scheme is in the best interests of Drillsearch shareholders;
- In the absence of receipt of a waiver from Listing Rule 10.1 by the ASX, approval of the Substantial Shareholder Acquisition by Beach shareholders; and
- No material adverse change or prescribed occurrence in relation to each company.

The parties have also agreed to certain exclusivity provisions and break fee arrangements.

Under the Scheme, the Beach Board would be reconstituted with Jim McKerlie and Phil Bainbridge from Drillsearch to be appointed as new Beach Directors and two existing Beach Directors to resign from the Beach Board. Glenn Davis would continue to serve as Chairman of the Beach Board following the successful conclusion of the merger.

A Merger Integration Group led by Beach Acting Chief Executive (Neil Gibbins) and Drillsearch Chief Executive (Walter Simpson) will commence planning for the combined group immediately. Management will be selected on a "best for job" basis, drawing on the depth and experience available within the combined management teams. The Beach Board is currently conducting a search

¹² Based on FY2015 combined group oil production of 7.2 MMbbl

¹³ Based on 2015 Full Year Reports, including Appendix 4E, Directors' Report and Financial Statements

¹⁴ By the requisite majorities of 75% of the votes cast, and 50% of the number of shareholders who vote, on the Scheme



for a new Chief Executive who will become the Chief Executive of the combined group following completion of the transaction. Drillsearch will be consulted on this appointment.

A full copy of the Merger Implementation Agreement is attached.

Timetable

Drillsearch shareholders do not need to take any action at the present time.

Full details of the Scheme, including the recommendation of the Drillsearch Directors and the Independent Expert's Report will be included in the Explanatory Booklet to be sent to Drillsearch shareholders. It is expected that the booklet will be sent to shareholders in mid December. Subsequently, Drillsearch shareholders will be asked to vote on the Scheme at a meeting expected to be held in late January 2016.

To the extent Beach shareholder approval is required in respect of the Substantial Shareholder Acquisition, a Notice of Meeting, recommendation from the Beach Directors and an Independent Expert's Report will be sent to Beach shareholders. These materials are expected to be sent to Beach shareholders in December, after which the Beach shareholder meeting would be held prior to the Scheme meeting.

Set out below is an indicative timetable for the transaction:

Event	Date
First Court Date	Early-December
Dispatch Notice of Meeting to Beach Shareholders (if required)	Early-December
Dispatch Explanatory Booklet to Drillsearch Shareholders	Mid-December
Beach Shareholder Meeting (if required)	Mid-January 2016
Scheme Meeting	Late January 2016
Second Court Date	Mid-February 2016
Effective Date	Mid-February 2016
Record Date	Late-February 2016
Implementation Date	Late-February 2016

Advisers

Beach is being advised by Macquarie Capital as financial adviser and Minter Ellison as legal adviser.

Drillsearch is being advised by Goldman Sachs and UBS as financial advisers and Ashurst as legal adviser.

ENDS

For further information, please contact:

Investors	Media
Beach Energy: +61 8 8338 2833 Neil Gibbins, Acting Chief Executive Officer Chris Jamieson, Group Executive External Affairs Derek Piper, Investor Relations Manager	Hintons: +61 3 9600 1979 Tim Duncan Angus Urquhart Beach Energy: +61 8 8338 2833 Sylvia Rapo, Public Relations Manager

Investors	Media
Drillsearch Energy: +61 2 9249 9600 Jim McKerlie, Chairman Dudley White, General Manager – Corporate Communications Natalie Barrington, Communications Manager	Cannings: +61 2 8284 9990 Nigel Kasselke

Conference call

A conference call for analysts and investors has been scheduled for today, Friday 23 October 2015. Details are:

Date and time:	11.00am (AEDT) on Friday, 23 October 2015	
Access code:	1587819	
Dial in number:	Toll free Australia:	1800 801 825
	Australia	02 8524 5042
	International:	+61 2 8524 5042
	Hong Kong:	800 905 927
	Singapore:	800 616 3222
	UK:	0800 015 9725
	USA:	1855 298 3404

Execution version

Merger implementation agreement

Drillsearch Energy Limited (**Drillsearch**)
Beach Energy Limited (**Beach**)

Merger implementation agreement

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Details

Date 23 October 2015

Parties

Name Drillsearch Energy Limited
ABN/ACN 006 474 844
Short form name **Drillsearch**
Notice details Level 18, 321 Kent Street, Sydney NSW 2000
Facsimile: +61 2 9249 9630
Attention: Company Secretary

Name Beach Energy Limited
ABN/ACN 007 617 969
Short form name **Beach**
Notice details 25 Conyngham Street, Glenside SA 5065
Facsimile: +61 8 8338 2336
Attention: Company Secretary

Background

- A Drillsearch and Beach have agreed to implement the Proposed Transaction on and subject to the terms and conditions of this agreement.
- B Drillsearch and Beach have agreed certain other matters in connection with the Proposed Transaction as set out in this agreement.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this agreement, unless the context otherwise requires, the following words and expressions have meanings as follows:

Accounting Standards means the accounting standards made or in force under the Corporations Act, and if any matter is not covered by those accounting standards, generally accepted Australian accounting principles.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Drillsearch or Beach or any of their respective Related Bodies Corporate.

Agreed Public Announcement means the public announcement to be made jointly by Drillsearch and Beach in the form of Schedule 4.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this agreement and, when the term "Associate" is used in the definition of "Competing Proposal", Drillsearch was the designated body and when the term "Associate" is used in the definition of "Beach Recommended Proposal" and "Beach Competing Proposal", Beach was the designated body.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

ASX Waiver means a waiver granted by ASX to Beach in respect of the application of Listing Rule 10.1 to the Substantial Shareholder Acquisition, the effect of which is to allow the Scheme to proceed without Beach Shareholder Approval on terms and conditions which are acceptable to Beach (acting reasonably).

Authorisation means an approval, authorisation, consent, declaration, exemption, licence, lease, notarisation, permit or waiver, however it is described, from or by a Regulatory Authority, including any renewal or amendment and any condition attaching to it.

Authorised Person means, in respect of a person:

- (a) a director, officer, member or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

Beach Board means the board of directors of Beach, as constituted from time to time.

Beach Break Fee has the meaning given to it in clause 12.3(a);

Beach Competing Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) which directly competes with, or is directly inconsistent in any material respect with the consummation of, the Proposed Transaction, other than as contemplated pursuant to this agreement, and which, if ultimately completed substantially in accordance with its terms:

- (a) would result in a person or two or more persons who are Associates directly or indirectly:
 - (i) acquiring a relevant interest in or becoming the holder of 15% or more of the Beach Shares; or
 - (ii) acquiring, obtaining a right to acquire, or otherwise obtaining an interest (including an economic interest) in, 15% or more by value of the business or property of the Beach Group; or

- (iii) otherwise acquiring control of Beach, within the meaning of section 50AA of the Corporations Act; or
 - (iv) otherwise acquiring, merging or amalgamating with Beach or amalgamating with, or acquiring a significant shareholding or economic interest in the Beach Group of 15% or more by value of the total assets or business of the Beach Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Beach or the Beach Group or other synthetic merger or any other transaction or arrangement; or
- (b) contemplates that Beach will cease to be admitted to the official list of ASX or the Beach Shares will cease to be officially quoted on the market operated by ASX at any time up to and including the Implementation Date.

Beach Competing Proposal Notice has the meaning given to it in clause 14.5(a).

Beach Counterproposal has the meaning given to it in clause 13.5(g).

Beach Disclosure Letter means the letter so entitled from Beach provided to Drillsearch and countersigned by Drillsearch prior to the execution of this agreement, including its attachments.

Beach's FY15 Full Year Report means Beach's Full Year Report for the period ended 30 June 2015 as announced to ASX, incorporating Appendix 4E.

Beach Group means Beach and its Subsidiaries.

Beach Group Member means any member of the Beach Group.

Beach Impugned Amount has the meaning given to it in clause 12.6.

Beach Independent Expert means an expert, independent of the parties, engaged by Beach in good faith to opine on whether, in the independent expert's opinion, the Substantial Shareholder Acquisition is fair and reasonable to the Beach Shareholders other than the Substantial Shareholder.

Beach Independent Expert's Report means the report prepared by the Beach Independent Expert and stating whether the Substantial Shareholder Acquisition is fair and reasonable to the Beach Shareholders other than the Substantial Shareholder.

Beach Information means such information regarding the Beach Group, the Merged Group (except for matters to be addressed in the Investigating Accountant's Report and information provided by Drillsearch and for which it is responsible as described in clause 5.3(l)(i)), the Scheme Consideration and Beach's intentions in relation to Drillsearch's business, assets and employees that is provided by or on behalf of Beach to Drillsearch for inclusion in the Explanatory Booklet:

- (a) to enable the Explanatory Booklet to be prepared and completed in compliance with all applicable laws;
- (b) to enable applications for Regulatory Approvals to be made; and
- (c) otherwise in compliance with Beach's obligations under clause 5.2(a),

other than the Drillsearch Information, Investigating Accountant's Report and Drillsearch Independent Expert's Report.

Beach Material Adverse Change means an event or circumstance (including a change in law) that occurs, is announced or becomes known to Drillsearch (in each case whether or not it becomes public) after the date of this agreement which (where relevant, based on Beach's most recent audited financial statements prior to the date of this agreement) has or is reasonably likely to have a Material Adverse Effect in relation to Beach, but does not include any event or circumstance:

- (a) required to be done or procured by Beach pursuant to this agreement or the Scheme;
- (b) done with the express prior written consent of Drillsearch;

- (c) to the extent that it was Fairly Disclosed to Drillsearch in writing before the date of this agreement (including in the Beach Disclosure Letter);
- (d) to the extent that it was Fairly Disclosed in documents that were publicly available prior to the date which is two Business Days prior to the date of this agreement from public filings of Beach with ASX or ASIC or public registers;
- (e) relating to costs and expenses incurred by Beach associated with the Scheme process, including all fees payable to external advisers of Beach, to the extent such amounts are Fairly Disclosed in writing to Drillsearch before the date of this agreement; or
- (f) that arises from general changes in economic, political or business conditions (including interest rates, oil prices and exchange rates), or in securities, credit or financial markets.

Beach Meeting Material means all material in respect of the Substantial Shareholder Acquisition to be provided to the Beach Shareholders, and any other material also being provided to the Beach Shareholders for the purposes of the Beach Shareholder Meeting prior to the Beach Shareholder Meeting, including the Beach Independent Expert's Report and the Beach Notice of Meeting.

Beach Notice of Meeting means the notice of the Beach Shareholders Meeting.

Beach Performance Right means a right granted under a Beach employee incentive scheme existing before the date of this agreement entitling the holder to acquire a Beach Share on vesting of the right subject to the terms of the scheme.

Beach Prescribed Occurrence means the occurrence of any of the following on or after the date of this agreement:

- (a) Beach converts all or any of its shares into a larger or smaller number of shares;
- (b) a Beach Group Member resolves to reduce its share capital in any way;
- (c) any Beach Group Member:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) any Beach Group Member issues securities, or grants a performance right or an option over its securities, or agrees to make such an issue or grant such a right or an option, other than:
 - (i) pursuant to the exercise of a performance right or option on issue immediately before the date of this agreement; or
 - (ii) pursuant to an offer made to, or employment contract agreed with, any new chief executive officer of Beach (and without prejudice to Beach's obligation under clause 6.7); or
 - (iii) the issue of or an offer or agreement to issue Beach Shares in respect of any dividend permitted by paragraph (f) below; or
 - (iv) the issue of or an agreement to issue securities in a Beach Group Member (other than Beach) to Beach or a wholly owned subsidiary of Beach;
- (e) any Beach Group Member issues, or agrees to issue, convertible notes;
- (f) Beach pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution, other than the declaration and payment of an interim dividend for FY16, provided that the record date for entitlement to the dividend is no earlier than 31 March 2016;
- (g) any Beach Group Member makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any Beach Group Member;
- (h) any Beach Group Member ceases, or threatens to cease to, carry on the business conducted as at the date of this agreement, except for any subsidiary holding assets which are not material to the Beach Group taken as a whole;

- (i) any disposal of shares or securities by a Beach Group Member in any Beach Group Member other than:
 - (i) to a Beach Group Member that is a wholly owned subsidiary of Beach; or
 - (ii) a Permitted Disposal; or
 - (iii) a disposal of shares that is not precluded by paragraph (l) below;
- (j) any Beach Group Member exercises or waives any pre-emptive rights or rights of first or last refusal in respect of any shares, assets or property held by another person prior to the final date on which those rights may be exercised;
- (k) any Beach Group Member:
 - (i) issues, or agrees to issue, or grants an option to subscribe for, debentures (as defined in section 9 of the Corporations Act);
 - (ii) terminates any material JV Agreement; or
 - (iii) enters into any new JV Agreement, where the total amount paid or payable by or to Beach Group Members under or in respect of the relevant JV Agreement, and all other JV Agreements that are entered into by Beach Group Members on or after the date of this agreement, exceeds or is reasonably likely to exceed \$30,000,000;
- (l) any Beach Group Member acquires or disposes of, offers to acquire or dispose of, agrees to acquire or dispose of or announces an intention to acquire or dispose of, one or more companies, businesses, properties or assets (or shares or any other interest in one or more companies, businesses, properties or assets):
 - (i) if the total amount of:
 - (A) the consideration provided or to be provided; and
 - (B) any other expenditure, work or other commitments assumed,
 by (in the case of an acquisition) or to (in the case of a disposal) the Beach Group in respect of any or all such acquisitions or (as the case may be) any and all such disposals exceeds or is reasonably likely to exceed \$30,000,000 (and for this purpose, non-cash consideration or other commitments will be converted into an equivalent Australian dollar amount at fair market value or (where no fair market value is readily obtainable) at a reasonable estimation of the arm's length value or cost of the relevant consideration or other commitment), provided that any such acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition that (in any such case) is not contrary to this paragraph (l)(i) at the time it is made shall not become a Beach Prescribed Occurrence by reason of any acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition subsequently made in reliance on paragraph (l)(iv) below causing the above threshold of \$30,000,000 to be exceeded; or
 - (ii) if the acquisition results or would result in a Beach Group Member having a relevant interest of greater than 10% in the shares or other securities of an entity that is listed, or in any securities which are quoted, on ASX or a Recognised Stock Exchange,
 but excluding:
 - (iii) a relevant disposal, offer, agreement or announcement that constitutes or relates to (and to no other disposal than) a Permitted Disposal; and
 - (iv) a relevant acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition, if:
 - (A) the relevant acquisition arises from the exercise by a Beach Group Member of pre-emptive rights under the terms of a JV Agreement in effect on the date of this agreement; and

- (B) the total amount of:
 - (I) the consideration provided or to be provided; and
 - (II) any other expenditure, work or other commitments assumed,
 by the Beach Group in respect of any or all acquisitions to which this paragraph (I) applies does not exceed and is not reasonably likely to exceed \$60,000,000 (and for this purpose, non-cash consideration or other commitments will be converted into an equivalent Australian dollar amount at fair market value or (where no fair market value is readily obtainable) at a reasonable estimation of the arm's length value or cost of the relevant consideration or other commitment); or
 - (m) an Insolvency Event occurs in relation to a Beach Group Member except any subsidiary holding assets which are not material to the Beach Group taken as a whole,
- provided that a Beach Prescribed Occurrence will not include any matter:
- (n) required to be done or procured by Beach pursuant to this agreement or the Scheme;
 - (o) Fairly Disclosed in filings of Beach with ASX prior to the date of this agreement;
 - (p) to the extent it is Fairly Disclosed to Drillsearch in writing before the date of this agreement (including in the Beach Disclosure Letter);
 - (q) done by agreement between the parties; or
 - (r) the undertaking of which Drillsearch has approved in writing (such approval not to be unreasonably withheld or delayed).

Beach Provided Material means information to be included by Beach in the Beach Meeting Materials that sets out the information prescribed by the Corporations Act and Listing Rules, other than the Drillsearch Provided Material and the Beach Independent Expert's Report.

Beach Recommended Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement), which does not directly compete with, or is not directly inconsistent with in any material respect the consummation of, the Proposed Transaction, other than as contemplated pursuant to this agreement, and which:

- (a) is recommended by a majority of the Beach Board; and
- (b) if ultimately completed substantially in accordance with its terms, would result in a person or two or more persons who are Associates directly or indirectly:
 - (i) acquiring a relevant interest in or becoming the holder of 50% or more of the Beach Shares; or
 - (ii) otherwise acquiring control of Beach, within the meaning of section 50AA of the Corporations Act; or
 - (iii) acquiring all or substantially all of the total assets or business of the Beach Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Beach or the Beach Group or other synthetic merger or any other transaction or arrangement,

(and for the avoidance of doubt, a Beach Recommended Proposal is not a Beach Competing Proposal).

Beach Shareholder means each person who is registered in the register maintained by Beach under section 168(1) of the Corporations Act as a holder of Beach Shares.

Beach Shareholder Approval means the approval of Beach Shareholders referred to in clause 3.1(d) which is required under the Listing Rules to approve the Substantial Shareholder Acquisition as part of the Scheme.

Beach Shareholder Meeting means the meeting of Beach Shareholders where Beach Shareholders (other than the Substantial Shareholder) will be asked to consider and approve, as an ordinary resolution under Listing Rule 10.1, the Substantial Shareholder Acquisition.

Beach Shares means a fully paid ordinary share in the capital of Beach.

Beach Superior Proposal means a bona fide Beach Competing Proposal which in the determination of the Beach Board acting in good faith in order to satisfy what the Beach Board considers to be its fiduciary or statutory duties (after having taken written legal advice from their external legal Advisers and consultation with its financial Advisers):

- (a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Beach Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Beach Shareholders as a whole than the Proposed Transaction, taking into account all of the terms and conditions of the Beach Competing Proposal, including consideration, conditionality, funding, certainty and timing.

Beach Warranties means the representations and warranties of Beach set out in clause 8.1.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia.

Competing Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement), other than as contemplated pursuant to this agreement, which, if ultimately completed substantially in accordance with its terms:

- (a) would result in a person or two or more persons who are Associates directly or indirectly:
 - (i) acquiring a relevant interest in or becoming the holder of 15% or more of the Drillsearch Shares; or
 - (ii) acquiring, obtaining a right to acquire, or otherwise obtaining an interest (including an economic interest) in, 15% or more by value of the business or property of the Drillsearch Group; or
 - (iii) otherwise acquiring control of Drillsearch, within the meaning of section 50AA of the Corporations Act; or
 - (iv) otherwise acquiring, merging or amalgamating with Drillsearch or amalgamating with, or acquiring a significant shareholding or economic interest in the Drillsearch Group of 15% or more by value of the total assets or business of the Drillsearch Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Drillsearch or the Drillsearch Group or other synthetic merger or any other transaction or arrangement; or
- (b) contemplates that Drillsearch will cease to be admitted to the official list of ASX or the Scheme Shares will cease to be officially quoted on the market operated by ASX,

or which otherwise directly competes with, or is directly inconsistent in any material respect with the consummation of, the Proposed Transaction.

Competing Proposal Notice has the meaning given to it in clause 13.5(a).

Conditions means the conditions set out in clause 3.1 and **Condition** means any one of them.

Confidential Information has the meaning given in clause 9.1(a).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Cut-off Date means 30 November 2015 or such other date as agreed between the parties.

Deed Poll means the deed poll to be executed by Beach prior to the date the Explanatory Booklet is despatched to Drillsearch Shareholders, in the form set out in Schedule 2 or in such other form as is acceptable to Drillsearch acting reasonably.

Drillsearch Board means the board of directors of Drillsearch, as constituted from time to time.

Drillsearch Break Fee has the meaning given to it in clause 11.3(a).

Drillsearch Convertible Note means an interest bearing note granted under Drillsearch's offering circular and supplemental offering circular plan which has a right to be converted to a Drillsearch Share subject to the Note Terms.

Drillsearch Counterproposal has the meaning given to it in clause 14.5(g).

Drillsearch Director means a director of Drillsearch from time to time.

Drillsearch Disclosure Letter means the letter so entitled from Drillsearch provided to Beach and countersigned by Beach prior to the execution of this agreement, including its attachments.

Drillsearch's FY15 Annual Report means Drillsearch's Annual Report for the period ended 30 June 2015 as announced to ASX.

Drillsearch's FY15 Full Year Report means Drillsearch's Full Year Report for the period ended 30 June 2015 as announced to ASX, incorporating Appendix 4E.

Drillsearch Group means Drillsearch and its Subsidiaries.

Drillsearch Group Member means any member of the Drillsearch Group.

Drillsearch Impugned Amount has the meaning given to it in clause 11.6.

Drillsearch Indemnified Parties means each member of the Drillsearch Group and their Related Bodies Corporate and Authorised Persons.

Drillsearch Independent Expert means an expert, independent of the parties, engaged by Drillsearch in good faith to opine on whether, in the Drillsearch Independent Expert's opinion, the Scheme is in the best interests of Drillsearch Shareholders.

Drillsearch Independent Expert's Report means the report prepared by the Drillsearch Independent Expert and stating whether the Scheme is in the best interests of Drillsearch Shareholders.

Drillsearch Information means information to be included by Drillsearch in the Explanatory Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth), and any other information that is material to the making of a decision by Drillsearch Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of Drillsearch's directors and has not previously been disclosed to Drillsearch Shareholders, other than the Beach Information, the Drillsearch Independent Expert's Report and the Investigating Accountant's Report.

Drillsearch Material Adverse Change means an event or circumstance (including a change in law) that occurs, is announced or becomes known to Beach (in each case whether or not it becomes public) after the date of this agreement which (where relevant, based on Drillsearch's most recent audited financial statements prior to the date of this agreement) has or is reasonably likely to have a Material Adverse Effect in relation to Drillsearch, but does not include any event or circumstance:

- (a) required to be done or procured by Drillsearch pursuant to this agreement or the Scheme;
- (b) done with the express prior written consent of Beach;
- (c) to the extent that it was Fairly Disclosed to Beach in writing prior to the date of this agreement (including in the Drillsearch Disclosure Letter);
- (d) to the extent that it was Fairly Disclosed in documents that were publicly available prior to the date which is two Business Days prior to the date of this agreement from public filings of Drillsearch with ASX or ASIC or public registers;
- (e) relating to costs and expenses incurred by Drillsearch associated with the Scheme process, including all fees payable to external advisers of Drillsearch, to the extent such amounts are Fairly Disclosed to Beach in writing prior to the date of this agreement; or

- (f) that arises from general changes in economic, political or business conditions (including interest rates, oil prices and exchange rates), or in securities, credit or financial markets.

Drillsearch Option means an option granted by Drillsearch to acquire by way of issue or transfer one or more Drillsearch Shares.

Drillsearch Optionholder means the person who is recorded in the register maintained by Drillsearch under section 168(1) of the Corporations Act as the holder of Drillsearch Options.

Drillsearch Performance Right means a right granted under Drillsearch's executive performance rights plan to acquire by way of issue or transfer a Drillsearch Share subject to the terms of such plan.

Drillsearch Performance Rights Holder means a person who holds a Drillsearch Performance Right.

Drillsearch Performance Rights Plan Rules means the plan rules of Drillsearch's executive performance rights plan.

Drillsearch Prescribed Occurrence means the occurrence of any of the following on or after the date of this agreement:

- (a) Drillsearch converts all or any of its shares into a larger or smaller number of shares;
- (b) a Drillsearch Group Member resolves to reduce its share capital in any way;
- (c) any Drillsearch Group Member:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) any Drillsearch Group Member issues securities, or grants a performance right or an option over its securities, or agrees to make such an issue or grant such a right or an option, other than:
 - (i) pursuant to the exercise of a performance right or option on issue immediately before the date of this agreement; or
 - (ii) the conversion of convertible notes issued prior to (and in accordance with the terms and conditions applicable on) the date of this agreement; or
 - (iii) the issue of or an agreement to issue securities in a Drillsearch Group Member (other than Drillsearch) to Drillsearch or a wholly owned subsidiary of Drillsearch;
- (e) any Drillsearch Group Member issues, or agrees to issue, convertible notes or causes, requests or allows any modification to the Note Terms;
- (f) an Insolvency Event occurs in relation to any Drillsearch Group Member except any subsidiary holding assets which are not material to the Drillsearch Group taken as a whole;
- (g) Drillsearch pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution, other than the payment of a dividend declared before the date of this agreement;
- (h) any Drillsearch Group Member makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any Drillsearch Group Member;
- (i) any Drillsearch Group Member ceases, or threatens to cease to, carry on the business conducted as at the date of this agreement, except for any subsidiary holding assets which are not material to the Drillsearch Group taken as a whole;
- (j) any disposal of shares or securities by a Drillsearch Group Member in any Drillsearch Group Member other than:
 - (i) to a Drillsearch Group Member that is a wholly owned subsidiary of Drillsearch; or
 - (ii) a Permitted Disposal; or

- (iii) a disposal of shares that is not precluded by paragraph (n) below and which shares are not in a Drillsearch Group Member which holds, or a subsidiary of which holds, any rights or interests relating to a Material Drillsearch Tenement;
- (k) (except as required by law or as provided in an existing contract in place as at the date of this agreement) any Drillsearch Group Member makes any material change to the terms of employment of (including appointing any non-executive director or any executive director, increasing the remuneration or compensation of), or grants or pays any bonus, retention, severance or termination payment to, any director, executive or Senior Manager;
- (l) any Drillsearch Group Member enters into or terminates any contract, joint venture, partnership or commitment (or any series of related contracts, joint ventures, partnerships or commitments):
 - (i) relating to any rights or interests of any Drillsearch Group Member in relation to any Material Drillsearch Tenement; or
 - (ii) which has the effect of waiving any third party defaults which has a financial impact upon the Drillsearch Group, or accepting as a compromise anything less than the full compensation due to the Drillsearch Group, in each case where the applicable expenditure or impact is or will be in excess of \$5,000,000 in aggregate; or
 - (iii) with any related entity of any Drillsearch Group Member (other than a Drillsearch Group Member);
- (m) any Drillsearch Group Member:
 - (i) issues, or agrees to issue, or grants an option to subscribe for, debentures (as defined in section 9 of the Corporations Act);
 - (ii) terminates any material JV Agreement; or
 - (iii) enters into any new JV Agreement, where the total amount paid or payable by or to Drillsearch Group Members under or in respect of the relevant JV Agreement, and all other JV Agreements that are entered into by Drillsearch Group Members on or after the date of this agreement, exceeds or is reasonably likely to exceed \$10,000,000;
- (n) any Drillsearch Group Member acquires or disposes of, offers to acquire or dispose of, agrees to acquire or dispose of or announces an intention to acquire or dispose of, one or more companies, businesses, properties or assets (or shares or any other interest in one or more companies, businesses, properties or assets):
 - (i) if the total amount of:
 - (A) the consideration provided or to be provided; and
 - (B) any other expenditure, work or other commitments assumed,
 by (in the case of an acquisition) or to (in the case of a disposal) the Drillsearch Group in respect of any or all such acquisitions or (as the case may be) in respect of any or all such disposals exceeds or would be reasonably likely to exceed \$10,000,000 (and for this purpose, non-cash consideration or other commitments will be converted into an equivalent Australian dollar amount at fair market value or (where no fair market value is readily obtainable) at a reasonable estimation of the arm's length value or cost of the relevant consideration or other commitment), provided that any such acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition that (in any such case) is not contrary to this paragraph (n)(i) at the time it is made shall not become a Drillsearch Prescribed Occurrence by reason of any acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition subsequently made in reliance on paragraph (n)(v) below causing the above threshold of \$10,000,000 to be exceeded; or
 - (ii) in the case of an acquisition, it results or would result in a Drillsearch Group Member having a relevant interest of greater than 10% in the shares or other

securities of an entity that is listed, or in any securities which are quoted, on ASX or a Recognised Stock Exchange; or

- (iii) in the case of a disposal, it involves disposing of any legal or beneficial rights or interests of any Drillsearch Group Member in a Material Drillsearch Tenement;

but excluding:

- (iv) a relevant disposal, offer, agreement or announcement that constitutes or relates to (and to no other disposal than) a Permitted Disposal; and
- (v) a relevant acquisition, offer or agreement to acquire or announcement of an intention to make an acquisition, if:

- (A) the relevant acquisition arises from the exercise by a Drillsearch Group Member of pre-emptive rights under the terms of a JV Agreement in effect on the date of this agreement; and

- (B) the total amount of:

- (I) the consideration provided or to be provided; and

- (II) any other expenditure, work or other commitments assumed,

by the Drillsearch Group in respect of any or all acquisitions to which this paragraph (n) applies does not exceed and is not reasonably likely to exceed \$20,000,000 (and for this purpose, non-cash consideration or other commitments will be converted into an equivalent Australian dollar amount at fair market value or (where no fair market value is readily obtainable) at a reasonable estimation of the arm's length value or cost of the relevant consideration or other commitment);

- (o) any Drillsearch Group Member undertakes, authorises or commits to provide funding in respect of any exploration, appraisal, development or production activities on or relating to any Petroleum Tenement, other than:

- (i) where the action is substantially consistent with the actions contemplated in the program of work for FY16 as described in:

- (A) the Directors' Report included in Drillsearch's FY15 Full Year Report and Drillsearch's FY15 Annual Report;

- (B) Drillsearch's August 2015 Investor Presentation titled "*2015 Full-Year Results Presentation*"; and

- (C) Drillsearch's September 2015 Investor Presentation titled "*Delivering in a Challenging Market*"; or

- (ii) where the aggregate of all costs and expenditures incurred or to be incurred by the Drillsearch Group in respect of all such activities (other than those falling under (i) above) does not exceed \$15,000,000;

- (p) any Drillsearch Group Member enters into, offers to enter into, agrees to enter into or announces an intention to enter into, any transaction, under which:

- (i) any third party would, or on the satisfaction of any conditions would be entitled to, acquire any legal, beneficial or economic interest in, or an overriding royalty interest, net profit interest or other right to payment calculated on or by reference to production, revenue, earnings or profit of or attributable to; or

- (ii) (other than pursuant to a disposal permitted by paragraph (n) above) there would be any diminution in the rights granted under or held by any Drillsearch Group Member in respect of,

any Petroleum Tenement in which any Drillsearch Group Member holds a legal, beneficial or economic interest, other than a Permitted Disposal;

- (q) any Drillsearch Group Member enters into, offers to enter into, agrees to enter into or announces an intention to enter into:

- (i) any transaction under which:

- (A) the aggregate amount of all payments plus the value of any non-cash consideration to be provided by or to Drillsearch Group Members exceeds or is reasonably likely to exceed \$15,000,000; and
 - (B) any third party would, or on the satisfaction of any conditions would be entitled to, acquire any legal, beneficial or economic interest in production from the Drillsearch Group's current or future operations (but for the avoidance of doubt not including agreements for the sale of any kind of Petroleum) or right to sell or market that production;
- (ii) any agreement (including by way of amendment to any existing agreement) for the sale, lending, exchange or disposal by other means of Petroleum of any kind, or under which the Drillsearch Group (or any of them) commits to utilise, or to pay for the right to utilise, (by way of tolling or otherwise) any third party facility or other infrastructure for the processing, treatment, transportation or storage of Petroleum of any kind, other than:
- (A) any agreement that extends the term of an agreement in effect immediately prior to the date of this agreement or that replaces such an agreement and is with the same counterparty(ies), provided that the term of the relevant extension or replacement agreement ends no later than 31 December 2017 and the terms and conditions of the extended or replacement agreement are otherwise substantially the same as or more favourable to the Drillsearch Group than those in effect under the relevant agreement immediately prior to the date of this agreement;
 - (B) any agreement for the sale and supply of natural gas by a Drillsearch Group Member, provided that the term of the agreement ends no later than 31 December 2017 and the maximum aggregate quantity of natural gas that the Drillsearch Group can be required to supply under all agreements entered into in reliance on this sub-paragraph (B) does not exceed 15 MMscf on any day;
 - (C) any agreement for the tolling, processing or transportation of natural gas for or on behalf of a Drillsearch Group Member, provided that, except where a Beach Group Member is also one of the parties to the agreement, the term of the agreement ends no later than 31 December 2017 and the maximum aggregate quantity of natural gas to which all agreements entered into in reliance on this sub-paragraph (C) apply does not exceed 15 MMscf on any day; and
 - (D) any agreement under which the aggregate amount of all payments plus the value of any non-cash consideration to be provided by Drillsearch Group Members does not and is not reasonably likely to exceed \$15,000,000 in the aggregate for all such agreements entered into in reliance on this sub-paragraph (D); or
- (iii) any swap, option, hedge, forward, futures or similar transaction (whether relating to oil, the price of oil, foreign exchange rates, securities or any other commodity, interest or index), other than interest rate hedging required under the terms of its credit facilities with third party financiers;
- (r) incurs or enters into any agreement to incur borrowings or similar indebtedness owing to any entity other than Drillsearch, or a wholly owned subsidiary of Drillsearch without the prior written consent of Beach, including entering into an agreement that amends or replaces the Existing Debt Facility, except for a drawdown by the Drillsearch Group under the Existing Debt Facility; or
- (s) any Drillsearch Group Member exercises or waives any pre-emptive rights or rights of first or last refusal in respect of any shares, assets or property held by another person prior to the final date on which those rights may be exercised; or
- (t) any Drillsearch Group Member directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to in paragraphs (a) to (s) above insofar as

it applies to the Drillsearch Group Member the subject of such direct or indirect authorisation, commitment, agreement or announcement,

provided that a Drillsearch Prescribed Occurrence will not include any matter:

- (u) required to be done or procured by Drillsearch pursuant to this agreement or the Scheme;
- (v) Fairly Disclosed in filings of Drillsearch with ASX prior to the date of this agreement;
- (w) to the extent it is Fairly Disclosed to Beach in writing before the date of this agreement (including in the Drillsearch Disclosure Letter);
- (x) done by agreement between the parties; or
- (y) the undertaking of which Beach has approved in writing (such approval not to be unreasonably withheld or delayed).

Drillsearch Provided Material means the information provided by Drillsearch to Beach in accordance with clause 5.1(f) for inclusion in the Beach Meeting Materials other than the Beach Provided Material and Beach Independent Expert's Report.

Drillsearch Share means an issued fully paid ordinary share in the capital of Drillsearch.

Drillsearch Shareholder means each person who is registered in the register maintained by Drillsearch under section 168(1) of the Corporations Act as a holder of Drillsearch Shares.

Drillsearch Warranties means the representations and warranties of Drillsearch set out in clause 8.3.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means:

- (a) 30 April 2016; or
- (b) such other date as the parties may agree in writing is the 'End Date' for the purposes of this agreement.

Excluded Shareholder means any Drillsearch Shareholder who is Beach or a Related Body Corporate of Beach.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earliest of:

- (a) 11.50pm on the End Date;
- (b) the Implementation Date; and
- (c) the date this agreement is terminated in accordance with its terms.

Existing Debt Facility means the Existing Working Capital Facility or any amendment, replacement or restatement of that facility from time to time, including for the avoidance of doubt the replacement facility that is contemplated in Drillsearch's announcement to ASX on 16 October 2015.

Existing Working Capital Facility means the Drillsearch Group's existing \$40,000,000 working capital facility.

Explanatory Booklet means the explanatory booklet to be prepared by Drillsearch in respect of the Proposed Transaction in accordance with the terms of this agreement and to be despatched to Drillsearch Shareholders, including the Drillsearch Independent Expert's Report and the Investigating Accountant's Report.

Fairly Disclosed has the meaning given to it in clause 1.2(m).

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

FY13 means the financial year ending on 30 June 2013.

FY14 means the financial year ending on 30 June 2014.

FY15 means the financial year ending on 30 June 2015.

FY16 means the financial year ending on 30 June 2016.

Government Agency means any foreign or Australian government or governmental, semigovernmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

GST means has the meaning given in the GST Act.

GST Act means the *A New Tax System (Goods and Services tax) Act 1999* (Cth).

GST Exclusive Consideration has the meaning given to it in clause 17.6(c).

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Drillsearch Shareholders present and voting, either in person or by proxy.

Implementation Date means the fifth Business Day, or such other Business Day as the parties agree, following the Record Date for the Scheme.

Ineligible Foreign Shareholder means a Drillsearch Shareholder whose address as shown in Drillsearch's members' register is located outside of:

- (a) Australia and its external territories;
- (b) New Zealand;
- (c) Hong Kong;
- (d) Singapore; or
- (e) Malaysia,

unless Beach is otherwise satisfied that it is permitted to allot and issue New Beach Shares to that Drillsearch Shareholder pursuant to the Scheme by the laws of that place.

Insolvency Event means in relation to a person:

- (a) **insolvency official**: the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **arrangements**: the entry by the person into a compromise or arrangement with its creditors generally;
- (c) **winding up**: the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) **suspends payments**: the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) **ceasing business**: the person ceases or threatens to cease to carry on business;
- (f) **insolvency**: the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) **deregistration**: the person being deregistered as a company or otherwise dissolved;
- (h) **deed of company arrangement**: the person executing a deed of company arrangement;

- (i) **person as trustee or partner:** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
 - (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;
 - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability; or
 - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) **analogous events:** anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

Interest Rate means, in respect of any payment due under this agreement, the average bid rate for 90 day deposits displayed at or about 10.30am (Sydney time) on the due date for payment on the Reuters screen BBSY page.

Investigating Accountant means an accounting firm appointed for the purpose of reporting on financial information included in the Explanatory Booklet.

Investigating Accountant's Report means the report on the pro forma accounts for the Merged Group from the Investigating Accountant to be jointly addressed to the Drillsearch Board and the Beach Board and included in the Explanatory Booklet.

Joint Information means:

- (a) the pro forma financial information relating to the Merged Group contained in the Explanatory Booklet and the adjustments made to the relevant historical financial information to generate such pro forma financial information; and
- (b) the Synergy Estimates.

JV Agreement means a shareholders agreement, joint venture agreement, farmin or farmout agreement or other similar agreement or arrangement.

Listing Rules means the official listing rules of ASX, as amended from time to time.

Material Adverse Effect means, in respect of Beach or Drillsearch (as the case may be) (**Affected Party**) an event or circumstance, that the event or circumstance has or is reasonably likely to have a material adverse effect on the assets, liabilities, financial condition or prospects of the Affected Party, including where it:

- (a) has or could reasonably be expected to have individually or when aggregated with all such events or circumstances the effect of diminishing the net assets of the Affected Party and its Subsidiaries (taken on a consolidated basis) by 10% or more; or
- (b) has the result (or is reasonably expected to have the result) that the business of the Affected Party and its Subsidiaries (taken on a consolidated basis) is unable to be carried on in substantially the same manner as carried on at the date of this agreement.

Material Drillsearch Tenement means each of the following Petroleum Tenements and any other Petroleum Tenement relating to all or part of the area covered or formerly covered by any of the following Petroleum Tenements: PEL 107, PEL182, PEL 513, PEL 570, ATP 924, ATP 940, PEL 91 and PEL 106.

Merged Group means Beach and its Subsidiaries, immediately after implementation of the Proposed Transaction.

Merger Integration Group has the meaning given to it in clause 6.6(a).

MMscf means million standard cubic feet.

New Beach Shares means the new Beach Shares to be issued under the terms of the Scheme as Scheme Consideration.

Note Terms means the Terms and Conditions set out in the Offering Circular dated 30 April 2013 and the Supplemental Offering Circular dated 13 May 2013 issued by Drillsearch.

Option Cancellation Deed means the optionholder cancellation deed substantially in the form agreed between Beach and Drillsearch on or about the date of this agreement pursuant to which a Drillsearch Optionholder agrees, subject to the Scheme becoming Effective, to the cancellation of all of their Drillsearch Options in return for the payment by Drillsearch of the applicable consideration set out in the deed.

Permitted Disposal means:

- (a) in respect of any party a disposal made pursuant to an agreement announced to ASX by that party before the date of this agreement;
- (b) in respect of Beach, a disposal by the relevant member of the Beach Group on arm's length terms of part or all of its interest in, or in a subsidiary that holds (directly or indirectly) an interest in:
 - (i) the Abu Sennan Concession, the North Shadwan Concession and the El Qa'a Plain Concession (Egypt); or
 - (ii) any Petroleum Tenement, production sharing agreement, concession or other interest in or relating to hydrocarbons that is identified in writing by Beach to Drillsearch prior to the date of this agreement as being the subject of a possible farm-down or other disposal,together with any property or other rights or interests associated with the primary subject matter of the relevant disposal; and
- (c) in respect of Drillsearch, a disposal by the relevant member of the Drillsearch Group on arm's length terms of its interests in each or any of ATP299, any petroleum lease derived from ATP 299, and each of ATP783, PL18 and PL315, all of which are issued under the *Petroleum and Gas (Production and Safety) Act 2004* (Q'land).

Petroleum means any hydrocarbon or mixture of hydrocarbons, whether in a gaseous, liquid or solid state.

Petroleum Tenement means any licence (as defined in the *Petroleum and Geothermal Energy Act 2000* (South Australia)), any petroleum authority (as defined in the *Petroleum and Gas (Production and Safety) Act 2004* (Q'land)), any 1923 Act petroleum tenure (as defined in the *Petroleum Act 1923* (Q'land)), an equivalent licence, permit or authorisation (by whatever name) granted under any other legislation or law, and an application for any of the foregoing.

Proposed Transaction means the proposed acquisition by Beach, in accordance with the terms and conditions of this agreement, of all of the Drillsearch Shares (other than the Drillsearch Shares held by an Excluded Shareholder) through the implementation of the Scheme.

Receiving Party has the meaning given to it in clause 17.3.

Recipient has the meaning given to it in clause 17.6(c).

Recognised Stock Exchange means ASX or an exchange or market listed in the Schedule to ASIC Class order CO 02/259.

Record Date means, in respect of the Scheme, 7.00pm on the fifth Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

Regulatory Approvals has the meaning given in clause 3.1(a).

Regulatory Authority means:

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Related Body Corporate of a person means a related body corporate of that person under section 50 of the Corporations Act.

Relevant Expense has the meaning given to it in clause 17.6(e).

RG 60 means Regulatory Guide 60 issued by ASIC on 22 September 2011.

Scheme means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Drillsearch and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Schedule 3 or in such other form as the parties agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.

Scheme Consideration means the consideration to be provided to Scheme Shareholders under the terms of the Scheme, being 1.25 New Beach Shares for every Scheme Share subject to clause 4.3(b).

Scheme Meeting means the meeting of Drillsearch Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Drillsearch Share on issue as at the Record Date other than any Drillsearch Share then held by an Excluded Shareholder (but including any such Drillsearch Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Senior Manager means chief executive officer, chief financial officer, chief operating officer, chief technical officer, general counsel or company secretary of Drillsearch (or anyone acting in such position at any time during FY15 who is still employed or engaged by the Drillsearch Group as at the date of this agreement) and a reference to **Senior Management** is a reference to all of them.

Share Splitting means the splitting by a holder of Drillsearch Shares into two or more parcels of Drillsearch Shares whether or not it results in any change in beneficial ownership of the Drillsearch Shares.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Substantial Shareholder means Seven Group Holdings Limited (and its Subsidiaries).

Substantial Shareholder Acquisition means the acquisition by Beach of Drillsearch Shares from the Substantial Shareholder in connection with the Scheme.

Superior Proposal means a bona fide Competing Proposal which in the determination of the Drillsearch Board acting in good faith in order to satisfy what the Drillsearch Board considers to be its fiduciary or statutory duties (after having taken written legal advice from their external legal Advisers and consultation with its financial Advisers):

- (a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Drillsearch Shareholders as a whole than the Proposed Transaction, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.

Supplier has the meaning given to it in clause 17.6(c).

Synergy Estimates means the estimates of likely synergies to be achieved as a result of the Proposed Transaction as stated in the Agreed Public Announcement including the underlying material that verifies the estimates or any assumptions upon which the estimates are made, unless otherwise amended by the agreement of the parties (such agreement not to be unreasonably withheld or delayed)

Takeovers Panel means the panel established under section 171 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 of the Corporations Act.

Timetable means the indicative timetable in relation to the Proposed Transaction set out in Schedule 1 with such modifications as may be agreed in writing by the parties.

Transaction Documents means this agreement, the Deed Poll and the Scheme.

1.2 Interpretation

In this agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Sydney, Australia time;
- (g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (k) the meaning of general words is not limited by specific examples introduced by **including** or similar expressions;
- (l) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (m) a reference to **Fairly Disclosed** to a party means disclosed to that party or any of its Authorised Persons in good faith and in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Authorised Persons) experienced in transactions similar to the Proposed Transaction and experienced in a business similar to any business conducted by the Drillsearch Group (if disclosed to Beach) or the Beach Group (if disclosed to Drillsearch), to identify the nature and scope of the relevant matter, event or circumstance.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Agreement to propose Scheme

- (a) Drillsearch agrees to propose and implement the Scheme on and subject to the terms and conditions of this agreement (including the Conditions), and to use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise substantially in accordance with the Timetable.
- (b) Beach agrees to assist Drillsearch in proposing and implementing the Scheme on and subject to the terms and conditions of this agreement (including the Conditions), and to

use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise substantially in accordance with the Timetable.

3. Conditions precedent and pre-implementation steps

3.1 Conditions to Scheme

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Drillsearch in clause 5.1(r) and Beach's obligations to provide, or procure the provision of, the Scheme Consideration in accordance with the Deed Poll and clause 4.2 will not be binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 3:

Conditions for the benefit of both parties

- (a) (**Regulatory Approvals**) before 8.00am on the Second Court Date ASIC and ASX having issued or provided such approvals, consents, waivers or other authorisations as Drillsearch and Beach (acting reasonably) agree are necessary to implement the Scheme (other than the ASX Waiver) (**Regulatory Approvals**), either unconditionally or on conditions that do not impose unduly onerous obligations upon either party, and those Regulatory Approvals have not been withdrawn, cancelled or revoked;
- (b) (**ASX Quotation**) before 8.00am on the Second Court Date, ASX approves the official quotation of the New Beach Shares, which approval may be conditional on the issue of those shares and other conditions customarily imposed by ASX;
- (c) (**Shareholder approval**) the Scheme is approved by Drillsearch Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (d) (**Beach Shareholder Approval**) the Substantial Shareholder Acquisition is approved by the requisite majority of Beach Shareholders under Listing Rule 10.1 at least 2 Business Days prior to the date of the Scheme Meeting;
- (e) (**Court approval**) the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party;
- (f) (**Order lodged with ASIC**) an office copy of the Court order approving the Scheme is lodged with ASIC under section 411(10) of the Corporations Act;
- (g) (**Drillsearch Independent Expert's Report**) the Drillsearch Independent Expert concluding in the Drillsearch Independent Expert's Report that in its opinion the Scheme is in the best interests of Drillsearch Shareholders on or before the date on which the Explanatory Booklet is registered by ASIC under the Corporations Act and the Drillsearch Independent Expert not having publicly withdrawn or qualified this conclusion on or before 8.00am on the Second Court Date;
- (h) (**Restraining orders**) no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Regulatory Authority of competent jurisdiction remains in effect as at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme or any Transaction Document;

Conditions for the benefit of Beach

- (i) (**No Drillsearch Material Adverse Change**) no Drillsearch Material Adverse Change occurs between the date of this agreement and 8.00am on the Second Court Date;
- (j) (**No Drillsearch Prescribed Occurrence**) no Drillsearch Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;
- (k) (**Drillsearch Warranties**) the Drillsearch Warranties being true and correct in all material respects on the date of this agreement and at 8.00am on the Second Court Date;

- (l) (**Drillsearch material breach**) before 8.00am on the Second Court Date, Drillsearch has not breached any material provision of this agreement to a material extent in the context of the Scheme taken as a whole;

Conditions for the benefit of Drillsearch

- (m) (**No Beach Material Adverse Change**) no Beach Material Adverse Change occurs between the date of this agreement and 8.00am on the Second Court Date;
- (n) (**No Beach Prescribed Occurrence**) no Beach Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;
- (o) (**Beach Warranties**) the Beach Warranties being true and correct in all material respects on the date of this agreement and at 8.00am on the Second Court Date; and
- (p) (**Beach material breach**) before 8.00am on the Second Court Date, Beach has not breached any material provision of this agreement to a material extent in the context of the Scheme taken as a whole.

3.2 Benefit and waiver of conditions precedent

- (a) The Conditions in clause 3.1(a) to 3.1(h) (inclusive) are for the benefit of each party and any breach or non-fulfilment of them may only be waived (if capable of waiver) with the written consent of both parties, which consent either party may give or withhold in its absolute discretion.
- (b) The Conditions in clauses 3.1(i), 3.1(j), 3.1(k) and 3.1(l) are for the sole benefit of Beach and any breach or non-fulfilment of them may only be waived by Beach giving its written consent.
- (c) The Conditions in clauses 3.1(m), 3.1(n), 3.1(o) and 3.1(p) are for the sole benefit of Drillsearch and any breach or non-fulfilment of them may only be waived by Drillsearch giving its written consent.
- (d) A party entitled to waive the breach or non-fulfilment of a Condition pursuant to this clause 3.2 may do so in its absolute discretion subject to the provision of written notice to the other party. Any such waiver by a party for whose benefit the relevant Condition applies must take place on or prior to 8.00am on the Second Court Date. The Conditions in clauses 3.1(b), 3.1(c), 3.1(e) and 3.1(f) cannot be waived.
- (e) If a party waives the breach or non-fulfilment of a Condition, that waiver precludes the party from suing another party for any breach of this agreement that resulted in the breach or non-fulfilment of the Condition.
- (f) Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition resulting from any other event.

3.3 Satisfaction of Conditions

- (a) Drillsearch and Beach will use their respective best endeavours to procure that each of the Conditions is satisfied as soon as reasonably practicable after the date of this agreement and continues to be satisfied at all times until the last time they are to be satisfied (as the case may require).
- (b) Without limiting clauses 3.3(a), 3.4 and 3.5, each of Drillsearch and Beach must:
 - (i) promptly identify (where not expressly specified in clause 3.1(a)) and (in relation to those Regulatory Approvals for which it is responsible) apply for all relevant Regulatory Approvals and provide the other party with a copy of all applications for Regulatory Approvals made by it;
 - (ii) take all the steps for which it is responsible or which are otherwise reasonably necessary or desirable on its part in order to obtain the Regulatory Approvals;

- (iii) (as far as practicable and lawful) consult with the other party in advance in relation to all communications (whether written or oral, and whether direct or through an Adviser) with any Regulatory Authority relating to any Regulatory Approval and, without limitation:
 - (A) provide the other party with drafts of any material written communications to be sent to a Regulatory Authority and make such amendments as the other party reasonably requires; and
 - (B) provide copies of any written communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be);
- (iv) respond to all requests for information in respect of the applications for Regulatory Approvals at the earliest practicable time, to the extent such information is within its possession or control;
- (v) provide the other with all information and assistance reasonably requested by such other party in connection with the applications for Regulatory Approvals;
- (vi) to the extent that it is within its control, use its best endeavours to procure that there is no occurrence that would prevent the Regulatory Approvals from being obtained by the applicable time referred to in clause 3.1(a) and not take any action that will or is likely to hinder or prevent the satisfaction of the Condition in clause 3.1(a) except to the extent that such action is required by law; and
- (vii) so far as it is able, allow the other party and its Authorised Persons the opportunity to be present and make submissions at any meetings with any Regulatory Authority relating to the Regulatory Approvals.

3.4 Notifications

Each of Beach and Drillsearch must:

- (a) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (b) promptly notify the other in writing if it becomes aware that any Condition has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition has been satisfied; and
- (c) promptly notify the other in writing if it becomes aware that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 3.3).

3.5 Certificate

At the hearing at which the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme is considered by the Court:

- (a) Beach and Drillsearch will provide a joint certificate to the Court confirming whether or not the Conditions set out in clauses 3.1(a) and 3.1(h) have been satisfied or waived in accordance with the terms of this agreement;
- (b) Drillsearch will provide a certificate to the Court confirming whether or not the Conditions set out in clauses 3.1(c), 3.1(g), 3.1(i), 3.1(j), 3.1(k) and 3.1(l) have been satisfied or waived in accordance with the terms of this agreement;
- (c) Beach will provide a certificate to the Court confirming whether or not the Conditions set out in clause 3.1(b), 3.1(d) (unless terminated in accordance with clause 3.9), 3.1(m), 3.1(n), 3.1(o) and 3.1(p) have been satisfied or waived in accordance with the terms of this agreement;
- (d) Drillsearch will provide a certificate to Beach confirming whether or not it has breached any of its obligations under this agreement (including a breach of a representation or warranty), and if it has, giving details of such breach; and

- (e) Beach will provide a certificate to Drillsearch confirming whether or not it has breached any of its obligations under this agreement (including a breach of a representation or warranty), and if it has, giving details of such breach.

3.6 Scheme voted down

If the Scheme is not approved by Drillsearch Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Drillsearch or Beach considers acting reasonably that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Drillsearch must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as counsel engaged by Drillsearch to represent it in Court proceedings related to the Scheme, in consultation with Beach, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

3.7 Conditions not capable of being fulfilled or Scheme not Effective by End Date

- (a) If:
 - (i) any Condition is not satisfied or (where capable of waiver) waived by the time or date specified in this agreement for its satisfaction; or
 - (ii) for any reason, a Condition is not capable of being satisfied and the Condition has not for the time being been waived in accordance with clause 3.2 or cannot be waived; or
 - (iii) the Scheme does not become Effective by 11.50pm on the End Date, then, before exercising any right of termination under clause 10.1, Drillsearch and Beach must consult in good faith for a period of at least 10 Business Days with a view to determining and reaching agreement on whether:
 - (iv) the Scheme may proceed by way of alternative means or methods;
 - (v) to extend the relevant time or date for satisfaction of the Condition;
 - (vi) to change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties; or
 - (vii) to extend the End Date.
- (b) Subject to clause 3.7(c), if a Condition becomes incapable of being satisfied before the End Date and Drillsearch and Beach are unable to reach agreement under clause 3.7(a) within 10 Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Date), then unless the relevant Condition (where capable of waiver) is waived:
 - (i) in relation to the Conditions in clauses 3.1(a) to 3.1(h) (inclusive), either Drillsearch or Beach may terminate this agreement by giving the other notice;
 - (ii) in relation to the Conditions in clauses 3.1(i) to 3.1(l) (inclusive), Beach may terminate this agreement by giving Drillsearch notice; and
 - (iii) in relation to the Conditions in clauses 3.1(m) to 3.1(p) (inclusive), Drillsearch may terminate this agreement by giving Beach notice,within 10 Business Days (or any shorter period ending before 8.00am on the Second Court Date), without any liability to any other party by reason of that termination alone except as otherwise contemplated in this agreement.

- (c) A party will not be entitled to terminate this agreement for any reason set out in clause 3.7(b) if the relevant Condition is not capable of being waived by that party or has not been satisfied as a result (either alone or together with other circumstances) of:
 - (i) a breach of this agreement by that party; or
 - (ii) a deliberate act or omission of that party which either alone or when taken together with other deliberate acts or omissions of that party, prevents that Condition being satisfied.

3.8 Interpretation

For the purposes of this clause 3, a Condition will be regarded as incapable of satisfaction or incapable of being fulfilled if:

- (a) in the case of a Condition relating to a Regulatory Approval, the relevant Regulatory Authority makes or has made a final adverse determination in writing to the effect that it will not provide the Regulatory Approval; and
- (b) in all other cases, there is an act, failure to act or occurrence that will prevent the Condition being satisfied by 11.50pm on the End Date or such earlier date and time (if any) as is specified in or determined under this clause 3 as the final time for satisfaction of the relevant Condition (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this agreement).

3.9 ASX Waiver

If the ASX Waiver is obtained and any conditions to the ASX Waiver are satisfied and the ASX Waiver becomes fully effective, clauses 3.1(d), 5.1(d), 5.1(f), 5.2(d), 5.2(g), 5.2(i), 5.4 (but only in relation to those obligations relating to the Beach Meeting Materials), 5.5, 5.6, 5.8, 8.1(b)(vi), 8.1(b)(vii), 8.1(b)(viii), 8.3(b)(viii), 8.3(b)(ix), 10.2(c), 10.2(e), 11.3(a)(iv), 12.3(a)(iii), 14 and Schedule 1 (but only in relation to the dates relating to the Beach Meeting Materials and the Beach Shareholder Meeting) shall immediately terminate and no longer have any effect.

4. Scheme structure

4.1 Scheme

- (a) Drillsearch must, as soon as reasonably practicable after the date of this agreement and substantially in compliance with the Timetable, propose the Scheme under which, subject to the Scheme becoming Effective, all of the Scheme Shares will be transferred to Beach and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Record Date, the Scheme Consideration.
- (b) Drillsearch must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Beach.

4.2 Scheme Consideration

- (a) Beach covenants in favour of Drillsearch, in consideration for the transfer to Beach of the Scheme Shares held by each Scheme Shareholder under the terms of the Scheme, to provide or procure provision of the Scheme Consideration to each Scheme Shareholder on the Implementation Date and otherwise in accordance with the Scheme.
- (b) Subject to clauses 4.3(b) and 4.3(c) and to the Scheme becoming Effective, at 10.00am on the Implementation Date, the transactions which form part of the Scheme will be implemented in the following sequence:
 - (i) each Scheme Shareholder will receive the Scheme Consideration for each Scheme Share held by that Scheme Shareholder at the Record Date, which is to be issued in the manner set out in clause 4.3; and
 - (ii) in exchange, all existing Drillsearch Shares at the Record Date will be transferred to Beach or its nominee.

- (c) In order to facilitate the provision of the Scheme Consideration, Drillsearch must provide, or procure that there is provided, to Beach or a nominee of Beach a complete copy of the Drillsearch register of members as at the Record Date (which must include the name, registered address and registered holding of each Scheme Shareholder as at the Record Date), within one Business Day after the Record Date. The details and information to be provided under this clause must be provided in such form as Beach, its nominee or Beach's share registry may reasonably require.

4.3 Allotment and issue of New Beach Shares

- (a) Subject to clauses 4.3(b) and 4.3(c) and to the Scheme becoming Effective, Beach must:
 - (i) allot and issue the New Beach Shares to Scheme Shareholders in accordance with the Scheme on terms such that each Beach Share will rank equally in all respects with each existing Beach Share;
 - (ii) do everything reasonably necessary to ensure that the New Beach Shares are approved for official quotation on ASX and that trading in the New Beach Shares commences by the first Business Day after the Implementation Date; and
 - (iii) ensure that on issue, each New Beach Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (b) Unless Beach is satisfied that the laws of an Ineligible Foreign Shareholder's country of residence (as shown in the register of Drillsearch Shareholders) permit the issue of New Beach Shares to the Ineligible Foreign Shareholder either unconditionally or after compliance with terms which Beach reasonably regards as acceptable and practical, Beach will be under no obligation under the Scheme to issue, and will not issue, any New Beach Shares to Ineligible Foreign Shareholders, and instead will issue the New Beach Shares that would otherwise have been issued to the Ineligible Foreign Shareholders to a nominee appointed by Beach. Beach will procure that as soon as reasonably practicable and in any event no more than 15 Business Days after the Implementation Date (unless an extension is agreed to in writing by Drillsearch prior to the Effective Date), the nominee sells those New Beach Shares on-market in such a manner, at such price and on such other terms as the nominee determines in good faith. Promptly after the last sale of those New Beach Shares, Beach will procure that the nominee pays to Beach the net proceeds from that sale (after deducting any applicable brokerage, stamp duty and other selling costs and taxes). Beach will then remit the portion of the proceeds it receives from the nominee to each Ineligible Foreign Shareholders in accordance with their entitlement.
- (c) Any fractional entitlement of a Scheme Shareholder to a part of a New Beach Share will be rounded up or down to the nearest whole number of New Beach Shares (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half). The Scheme will contain standard provisions under which Beach will have the discretion to deem the holdings of two or more Scheme Shareholders to be held by one Scheme Shareholder to prevent any Share Splitting designed to obtain unfair advantage by reference to such rounding.

5. Scheme – parties' respective implementation obligations

5.1 Drillsearch's obligations

Drillsearch must take all steps reasonably necessary to implement the Scheme as soon as reasonably practicable after the date of this agreement and substantially in accordance with the Timetable, including without limitation, taking each of the following steps:

- (a) (**Explanatory Booklet**) prepare the Explanatory Booklet in accordance with clause 5.3;
- (b) (**Merged Group information**) provide all assistance and information reasonably requested by Beach in connection with the preparation by Beach of information for inclusion in the Explanatory Booklet regarding the Merged Group, and ensure that the information in the form it is provided complies, in all material respects, with all applicable laws, including with the Corporations Act, the *Corporations Regulations 2001* (Cth), RG 60 and the Listing Rules;

- (c) (**Drillsearch Independent Expert**) promptly appoint the Drillsearch Independent Expert and provide all assistance and information reasonably requested by the Drillsearch Independent Expert in connection with the preparation of the Drillsearch Independent Expert's Report for inclusion in the Explanatory Booklet;
- (d) (**Beach Independent Expert's Report**) provide all assistance and information reasonably requested by the Beach Independent Expert in connection with the preparation of any Beach Independent Expert's Report commissioned by Beach;
- (e) (**Investigating Accountant**) as soon as reasonably practicable after the date of this agreement, jointly appoint the Investigating Accountant with Beach on terms approved by Beach (acting reasonably), and provide all assistance and information reasonably requested by the Investigating Accountant to enable it to prepare the Investigating Accountant's Report;
- (f) (**Beach Meeting Material**) prepare and provide to Beach, in a form appropriate for inclusion in the Beach Meeting Materials, all information regarding Drillsearch which is required to be included in the Beach Meeting Material (**Drillsearch Provided Material**) for inclusion in the Beach Meeting Materials, which information must (without limiting the foregoing):
 - (i) not be misleading or deceptive in any material respect (whether by omission or otherwise) including in the form and context in which it appears in the Beach Meeting Materials; and
 - (ii) be updated by all such further or new material information about Drillsearch which may arise after the Beach Meeting Material has been despatched until the date of the Beach Shareholder Meeting which is necessary to ensure that the Drillsearch Provided Material is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (g) (**approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC, procure that a meeting of the Drillsearch Board, or of a committee of the Drillsearch Board appointed for the purpose, is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;
- (h) (**liaison with ASIC**) as soon as reasonably practicable after the date of this agreement:
 - (i) provide an advanced draft of the Explanatory Booklet, in a form approved in accordance with clauses 5.1(g) and 5.2(l), to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
 - (ii) liaise with ASIC during the period of its consideration of that draft of the Explanatory Booklet and keep Beach reasonably informed of any matters raised by ASIC in relation to the Explanatory Booklet and use reasonable endeavours, in consultation with Beach, to resolve any such matters;
- (i) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Explanatory Booklet, procure that a meeting of the Drillsearch Board, or of a committee of the Drillsearch Board appointed for the purpose, is held to consider approving the Explanatory Booklet for despatch to the Drillsearch Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
- (j) (**section 411(17)(b) statements**) apply to ASIC for the production of statements in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (k) (**first Court hearing**) lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approvals in clauses 5.1(i) and 5.2(m) have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Drillsearch to convene the Scheme Meeting;
- (l) (**registration of explanatory statement**) if the Court directs Drillsearch to convene the Scheme Meeting, request ASIC to register the explanatory statement included in the

Explanatory Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;

- (m) (**convening Scheme Meeting**) take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Explanatory Booklet to the Drillsearch Shareholders and convening and holding the Scheme Meeting;
- (n) (**updating Explanatory Booklet**) until the date of the Scheme Meeting, promptly update the Explanatory Booklet with any information that arises after the Explanatory Booklet has been dispatched that is necessary to ensure that the Explanatory Booklet does not contain any material statement that is false or misleading in a material respect (including because of any material omission from that statement);
- (o) (**offer in Malaysia**) Drillsearch must:
 - (i) insert into the Explanatory Booklet a disclaimer with respect to the offer of the Scheme Consideration to any Drillsearch Shareholder whose address as shown in Drillsearch's members' register is in Malaysia on terms approved by Beach;
 - (ii) no later than 7 days after first despatch of the Explanatory Booklet to Drillsearch Shareholders, lodge a copy of the Explanatory Booklet with the Malaysian Securities Commission for the purposes of Schedule 5 and Schedule 6 of the *Malaysian Capital Markets and Services Act 2007* and for all other purposes; and
 - (iii) to the extent necessary (as determined by Beach and Drillsearch acting reasonably), lodge any update to the Explanatory Booklet or any other document publicly announced by Drillsearch with respect to the Scheme with the Malaysian Securities Commission.
- (p) (**Court approval application if parties agree that conditions are capable of being satisfied**) if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act (or, where clause 3.6 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act), apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;
- (q) (**appeal process**) if the Court refuses to make any orders directing Drillsearch to convene the Scheme Meeting or approving the Scheme, Drillsearch and Beach must:
 - (i) consult with each other in good faith as to whether to appeal the Court's decision; and
 - (ii) appeal the Court decision unless the parties agree otherwise or an independent senior counsel opines that, in his or her view, an appeal would have no reasonable prospect of success;
- (r) (**implementation of Scheme**) if the Scheme is approved by the Court:
 - (i) subject to the Listing Rules, promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;
 - (ii) determine entitlements to the Scheme Consideration as at the Record Date in accordance with the Scheme;
 - (iii) execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares to Beach on the Implementation Date; and
 - (iv) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (s) (**Regulatory notifications**) in relation to the Regulatory Approvals required to be applied for by Drillsearch, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by Drillsearch in relation to the Proposed Transaction;
- (t) (**Beach Information**) during the period until Beach Information becomes publicly available, not use the Beach Information for any purposes other than those expressly contemplated by this agreement or the Scheme without the prior written consent of Beach;

- (u) (**Documents**) consult with Beach in relation to the content of the documents required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders);
- (v) (**Shareholder support**) promote to its shareholders the merits of the Scheme in the absence of a Superior Proposal, including soliciting proxy votes in favour of the Scheme; and
- (w) (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this agreement are effected in accordance with all applicable laws and regulations.

5.2 Beach's obligations

Beach must take all steps reasonably necessary to assist Drillsearch to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable including, without limitation, taking each of the following steps:

- (a) (**Beach Information**) prepare and provide to Drillsearch, in a form appropriate for inclusion in the Explanatory Booklet, all Beach Information that is required by all applicable laws, the Listing Rules and ASIC Regulatory Guides for inclusion in the Explanatory Booklet, which information must (without limiting the foregoing):
 - (i) contain all information about Beach that is necessary to enable Drillsearch to ensure that the Beach Information contained in the Explanatory Booklet complies with the requirements of RG 60;
 - (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise) including in the form and context in which it appears in the Explanatory Booklet; and
 - (iii) be updated by all such further or new material information about Beach which may arise after the Explanatory Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the Beach Information contained in the Explanatory Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (b) (**Regulatory notifications**) in relation to the Regulatory Approvals required to be applied for by Beach, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by Beach in relation to the Proposed Transaction;
- (c) (**ASX Waiver**) in relation to the ASX Waiver:
 - (i) use its reasonable endeavours to obtain the ASX Waiver before the Cut-off Date (and if the ASX Waiver is not obtained by the Cut-off Date, take steps for the purpose of obtaining the Beach Shareholder Approval as contemplated in clause 5.2(d)); and
 - (ii) consult with Drillsearch and provide copies of any correspondence with ASX (including any proposed communications with ASX) with respect to any steps taken by Beach in accordance with clause 5.2(c)(i);
- (d) (**Beach Shareholder Approval**) convene and hold the Beach Shareholder Meeting for the purpose of obtaining the Beach Shareholder Approval so the meeting can be held substantially in accordance with the Timetable;
- (e) (**ASX quotation**) do everything reasonably necessary to ensure that the New Beach Shares are approved for official quotation on ASX and that trading in the New Beach Shares commences by the first Business Day after the Implementation Date;
- (f) (**Drillsearch Independent Expert**) promptly provide all assistance and information reasonably requested by the Drillsearch Independent Expert to enable it to prepare the Drillsearch Independent Expert's Report for inclusion in the Explanatory Booklet;
- (g) (**Beach Independent Expert's Report**) promptly appoint the Beach Independent Expert and provide all assistance and information reasonably requested by the Beach Independent Expert for inclusion in the Beach Meeting Materials;

- (h) (**Investigating Accountant**) as soon as reasonably practicable after the date of this agreement, jointly appoint the Investigating Accountant with Drillsearch on terms approved by Drillsearch (acting reasonably), and provide all assistance and information reasonably requested by the Investigating Accountant to enable it to prepare the Investigating Accountant's Report;
- (i) (**prepare Beach Meeting Materials**) prepare the Beach Meeting Materials in accordance with the principles in clause 5.5, subject to Drillsearch complying with its obligations under clause 5.1(f) in respect of the Drillsearch Provided Material;
- (j) (**liaison with ASIC**) provide assistance reasonably requested by Drillsearch to assist Drillsearch to resolve any matter raised by ASIC regarding the Explanatory Booklet or the Scheme during its review of the Explanatory Booklet;
- (k) (**review of Explanatory Booklet**) as soon as reasonably practicable after delivery, review the drafts of the Explanatory Booklet prepared by Drillsearch and provide comments on those drafts in good faith;
- (l) (**approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC, procure that a meeting of the appropriate decision-making organ of Beach is held to consider approving Beach Information contained in that draft that relate to Beach as being in a form appropriate for provision to ASIC for review;
- (m) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Explanatory Booklet, procure that a meeting of the appropriate decision-making organ of Beach is held to consider approving the Beach Information contained in the Explanatory Booklet that relate to Beach as being in a form appropriate for despatch to Drillsearch Shareholders, subject to approval of the Court;
- (n) (**Representation**) procure that, if requested by Beach or Drillsearch, Beach is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act;
- (o) (**Deed Poll**) prior to the First Court Date, execute the Deed Poll;
- (p) (**Drillsearch Information**) during the period until that Drillsearch Information becomes publicly available, not use Drillsearch Information for any purposes other than those expressly contemplated by this agreement or the Scheme without the prior written consent of Drillsearch;
- (q) (**Shareholder support**) promote to its shareholders the merits of the Substantial Shareholder Acquisition in the absence of a Beach Superior Proposal, including soliciting proxy votes in favour of the Substantial Shareholder Acquisition; and
- (r) (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this agreement are effected in accordance with all applicable laws and regulations.

5.3 Explanatory Booklet – preparation principles

- (a) As soon as reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, Drillsearch must prepare the Explanatory Booklet and use its best endeavours to ensure that the Explanatory Booklet complies with:
 - (i) all applicable laws, in particular with the requirements of the Corporations Act, RG 60 and the Listing Rules; and
 - (ii) this clause 5.3,
 except that the obligation to do so in respect of the Beach Information is subject to Beach complying with its obligations under clauses 5.2(a) and this clause 5.3.
- (b) The Explanatory Booklet will include or be accompanied by:
 - (i) the terms of the Scheme;
 - (ii) the notice convening the Scheme Meeting, and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to

- the Scheme, together with a proxy form for the Scheme Meeting and for any ancillary meeting;
- (iii) the Drillsearch Information;
 - (iv) the Beach Information;
 - (v) a copy of this agreement (without the schedules or annexures);
 - (vi) a copy of the executed Deed Poll;
 - (vii) a copy of the Daimler Independent Expert's Report; and
 - (viii) a copy of the Investigating Accountant's Report.
- (c) Drillsearch must make available to Beach drafts of the Explanatory Booklet including the Investigating Accountant's Report and Drillsearch Independent Expert's Report (except in respect of the Drillsearch Independent Expert's Report, drafts are to be made available for factual accuracy only and will exclude the Drillsearch Independent Expert's opinion), consult with Beach in relation to the content of those drafts (other than the Beach Information), and consider in good faith, for the purpose of amending those drafts, comments from Beach on those drafts. Beach acknowledges and agrees that Drillsearch has ultimate discretion with respect to the preparation, form and content of the Explanatory Booklet, other than as expressly provided in this agreement with respect to the Beach Information.
- (d) Drillsearch must seek approval from Beach for the form and context in which the Beach Information appears in the Explanatory Booklet, which approval Beach must not unreasonably withhold or delay, and Drillsearch must not lodge the Explanatory Booklet with ASIC until such approval is obtained from Beach.
- (e) Drillsearch must take all reasonable steps to ensure that the Explanatory Booklet (other than the Beach Information, the Drillsearch Independent Expert's Report and the Investigating Accountant's Report) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is despatched to Drillsearch Shareholders.
- (f) Beach must take all reasonable steps to ensure that the Beach Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Explanatory Booklet is despatched to Drillsearch Shareholders.
- (g) Drillsearch must provide to Beach all such further or new information of which Drillsearch becomes aware that arises after the Explanatory Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Explanatory Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- (h) Beach must provide to Drillsearch all such further or new information of which Beach becomes aware that arises after the Explanatory Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Beach Information continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- (i) Drillsearch and Beach each agree that the efficient preparation of the Explanatory Booklet and the implementation of the Scheme are in the interests of Drillsearch Shareholders and Beach and that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 5.3 and to implement the Scheme as soon as reasonably practicable and otherwise substantially in accordance with the Timetable.
- (j) Beach and Drillsearch are entitled to separate representation at all Court proceedings affecting the Proposed Transaction. Nothing in this document provides one party with any right or power to give undertakings to the Court on behalf of the other party without that party's written consent.
- (k) Drillsearch must undertake appropriate verification processes in relation to the Drillsearch Information included in the Explanatory Booklet, and Beach must undertake appropriate

verification processes in relation to the Beach Information included in the Explanatory Booklet.

- (l) Beach and Drillsearch agree, and the Explanatory Booklet must include a responsibility statement in a form to be agreed by the parties which will contain words to the effect, that:
 - (i) Drillsearch has provided, and is responsible for, the Drillsearch Information, and that Beach does not assume any responsibility or liability for the accuracy or completeness of that information, but Drillsearch does take responsibility and liability for that information; and
 - (ii) Beach has provided, and is responsible for, the Beach Information, and that Drillsearch does not assume any responsibility or liability for the accuracy or completeness of that information, but Beach does take responsibility and liability for that information; and
 - (iii) both Beach and Drillsearch have provided, and are jointly liable for, the Joint Information and, subject to the exception below, both Beach and Drillsearch assume responsibility and liability for the accuracy and completeness of that information. The exception is that, in relation to the pro forma financial information relating to the Merged Group contained in the Explanatory Booklet:
 - (A) Beach has provided, and is responsible for the financial information concerning the Beach Group included in that information, or upon which that information is based, but otherwise Beach does not take any responsibility or liability for that information; and
 - (B) Drillsearch has provided, and is responsible for, the financial information concerning the Drillsearch Group included in that information, or upon which that information is based, but otherwise Drillsearch does not take any responsibility or liability for that information.

5.4 Joint Information

- (a) The Explanatory Booklet and the Beach Meeting Materials must include the Joint Information.
- (b) Both Beach and Drillsearch must cooperate in good faith to prepare the Joint Information in a timely manner for inclusion in the Explanatory Booklet and the Beach Meeting Materials.
- (c) Both Beach and Drillsearch must undertake appropriate verification processes in relation to the Joint Information and share with each other their respective verification material for the Joint Information.
- (d) Both Beach and Drillsearch must, after the date of the Explanatory Booklet and after the date of the Beach Meeting Materials, take such reasonable steps to ensure that the Joint Information does not, having regard to applicable disclosure requirements, become false, misleading or deceptive in any material respect, including because of a material omission. Beach and Drillsearch must each advise the other as soon as practicable of any fact, matter or circumstance of which they become aware that makes the Joint Information misleading in a material respect, including by the omission of material information.

5.5 Beach Meeting Materials – preparation principles

- (a) As soon as reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, Beach must prepare the Beach Meeting Materials and use its best endeavours to ensure that the Beach Meeting Material complies with:
 - (i) all applicable laws, in particular with the Corporations Act and the ASX Listing Rules; and
 - (ii) this clause 5.5,

except that the obligation to do so in respect of the Drillsearch Provided Material is subject to Drillsearch complying with its obligations under clause 5.1(f) and this clause 5.5.

- (b) The Beach Meeting Materials will include:
 - (i) the notice of the Beach Shareholders Meeting which will set out, among other things, the terms of:
 - (A) the Beach Shareholder Approval resolutions (approving the Substantial Shareholder Acquisition);
 - (B) the Beach Board's recommendations, in the form and manner described in clause 5.8 of this agreement; and
 - (C) a proxy form for the Beach Shareholders Meeting and for any ancillary meeting where disclosure is made either in the notice of meeting or proxy form (or both) that the Chairman will vote undirected proxies in favour of the resolutions approving the Substantial Shareholder Acquisition;
 - (ii) the Beach Provided Material;
 - (iii) the Drillsearch Provided Material; and
 - (iv) a copy of the Beach Independent Expert's Report.
- (c) Beach must make available to Drillsearch drafts of the Beach Meeting Materials including the Beach Independent Expert's Report (with such drafts to be made available for factual accuracy only and will exclude the Beach Independent Expert's opinion), consult with Drillsearch in relation to the content of those drafts (other than the Drillsearch Provided Material), and consider in good faith, for the purpose of amending those drafts, comments from Drillsearch on those drafts. Drillsearch acknowledges and agrees that Beach has ultimate discretion with respect to the preparation, form and content of the Beach Meeting Materials, other than as expressly provided in this agreement with respect to the Drillsearch Provided Material.
- (d) Beach must seek approval from Drillsearch for the form and context in which the Drillsearch Provided Material appears in the Beach Meeting Materials, which approval Drillsearch must not unreasonably withhold or delay.
- (e) Beach must take all reasonable steps to ensure that the Beach Meeting Materials (other than the Drillsearch Provided Material and the Beach Independent Expert's Report) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is despatched to Beach Shareholders.
- (f) Drillsearch must take all reasonable steps to ensure that the Drillsearch Provided Material is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Beach Meeting Materials are despatched to Beach Shareholders.
- (g) Beach must provide to Drillsearch all such further or new information of which Beach becomes aware that arises after the Beach Meeting Materials have been despatched until the date of the Beach Shareholder Meeting where this is or may be necessary to ensure that the Beach Meeting Materials continue to comply with the Corporations Act and the Listing Rules.
- (h) Drillsearch must provide to Beach all such further or new information of which Drillsearch becomes aware that arises after the Beach Meeting Materials have been despatched until the date of the Beach Shareholder Meeting where this is or may be necessary to ensure that the Drillsearch Provided Material continues to comply with the Corporations Act and the Listing Rules.
- (i) Drillsearch and Beach each agree that the efficient preparation of the Beach Meeting Materials are in the interests of Beach Shareholders and Drillsearch and that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 5.5.
- (j) Beach must undertake appropriate verification processes in relation to the Beach Provided Material included in the Beach Meeting Materials, and Drillsearch must undertake appropriate verification processes in relation to the Drillsearch Provided Material included in the Beach Meeting Materials.

- (k) Beach and Drillsearch agree, and the Beach Meeting Materials must include a responsibility statement in a form to be agreed by the parties which will contain words to the effect, that:
- (i) Drillsearch has provided, and is responsible for, the Drillsearch Provided Material, and that Beach does not assume any responsibility or liability for the accuracy or completeness of that information, but Drillsearch does take responsibility and liability for that information; and
 - (ii) Beach has provided, and is responsible for, the Beach Provided Material, and that Drillsearch does not assume any responsibility or liability for the accuracy or completeness of that information, but Beach does take responsibility and liability for that information; and
 - (iii) both Beach and Drillsearch have provided, and are jointly liable for, the Joint Information and, subject to the exception in clause 5.4, both Beach and Drillsearch assume responsibility and liability for the accuracy and completeness of that information. The exception is that, in relation to the pro forma financial information relating to the Merged Group contained in the Beach Meeting Materials:
 - (A) Beach has provided, and is responsible for the financial information concerning the Beach Group included in that information, or upon which that information is based, but otherwise Beach does not take any responsibility or liability for that information; and
 - (B) Drillsearch has provided, and is responsible for, the financial information concerning the Drillsearch Group included in that information, or upon which that information is based, but otherwise Drillsearch does not take any responsibility or liability for that information.

5.6 Beach Shareholder Approval

Beach must convene and hold the Beach Shareholder Meeting to obtain the Beach Shareholder Approval as soon as reasonably practicable after the First Court Date, and in any event, no later than 2 Business Days prior to the date of the Scheme Meeting.

5.7 Drillsearch Board recommendation

- (a) Subject to clauses 5.7(b), Drillsearch agrees that the Explanatory Booklet and all public announcements by Drillsearch or a director of Drillsearch in relation to the Proposed Transaction must include statements that:
- (i) the Drillsearch Board unanimously recommends that Drillsearch Shareholders vote in favour of the Scheme; and
 - (ii) each Drillsearch Director intends to vote all Drillsearch Shares held or controlled by him or her in favour of the Scheme,
- qualified only by the words to the effect of:
- (iii) 'in the absence of a Superior Proposal'; and
 - (iv) other than in respect of the Explanatory Booklet or any document issued after the issue of the Explanatory Booklet, 'subject to the Drillsearch Independent Expert opining at all times prior to the Second Court Date that the Scheme is in the best interests of Drillsearch Shareholders'.
- (b) Drillsearch agrees that the directors of Drillsearch may only make a public statement or take any action that qualifies their support of the Scheme or contradicts, or subsequently change, withdraw or modify the recommendation referred to in clause 5.7(a) in the following circumstances:
- (i) the Drillsearch Independent Expert opines either prior to the despatch of the Explanatory Booklet or prior to the Scheme Meeting that the Scheme is not in the best interests of Drillsearch Shareholders (except that in the case that such conclusion is due to a Competing Proposal, only after Beach's rights under clause 13.5 have been exhausted);

- (ii) there is a Beach Recommended Proposal, provided that the directors of Drillsearch do so within 10 Business Days of Beach's announcement to ASX of the Beach Recommended Proposal; or
 - (iii) the directors of Drillsearch determine, after Beach's rights under clause 13.5 have been exhausted, that a Competing Proposal constitutes a Superior Proposal.
- (c) Subject to clause 5.7(b), Drillsearch represents and warrants to Beach that it has been advised by each director of Drillsearch in office at the date of this agreement that he or she will act in accordance with this clause 5.7.

5.8 Beach Board recommendation

- (a) Subject to clause 5.8(b), Beach agrees that the Beach Meeting Materials and all public announcements by Beach, or a director of Beach, in relation to the Substantial Shareholder Acquisition must include statements that:
- (i) the Beach Board unanimously recommends that Beach Shareholders vote in favour of the Substantial Shareholder Acquisition; and
 - (ii) each director states that he or she will vote all Beach Shares in his or her control in favour of the Substantial Shareholder Acquisition,
- qualified only by the words to the effect of:
- (iii) 'in the absence of a Beach Superior Proposal'; and
 - (iv) 'subject to the Beach Independent Expert opining at all times prior to the Beach Shareholder Meeting that the Substantial Shareholder Acquisition is fair and reasonable, or not fair but reasonable, to the Beach Shareholders (other than the Substantial Shareholder)'.
- (b) Beach agrees that the directors of Beach may only make a public statement or take any action that qualifies their support of the Substantial Shareholder Acquisition or contradicts, or subsequently change, withdraw or modify the recommendation referred to in clause 5.8(a) if:
- (i) the Beach Independent Expert opines either prior to the despatch of the Beach Meeting Materials or prior to the Beach Shareholder Meeting that the Substantial Shareholder Acquisition is not fair and not reasonable (except that in the case that such conclusion is due to a Beach Competing Proposal, only after Drillsearch's rights under clause 14.5 have been exhausted); or
 - (ii) the directors of Beach determine, after Drillsearch's rights under clause 14.5 have been exhausted, that a Beach Competing Proposal constitutes a Beach Superior Proposal.

6. Conduct of business before the Implementation Date

6.1 Conduct of Drillsearch's business

Subject to clause 6.2, from the date of this agreement up to and including the Implementation Date, Drillsearch must conduct and must cause each of its Subsidiaries to conduct their businesses in the ordinary and usual course of business and:

- (a) operate those businesses consistent with past practice, in substantially the same manner as previously conducted;
- (b) use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- (c) use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;

- (d) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the Drillsearch Group is a party, and with laws and Authorisations applicable to each member of the Drillsearch Group; and
- (e) not take or fail to take any action that constitutes a Drillsearch Prescribed Occurrence or that could reasonably be expected to result in a Drillsearch Prescribed Occurrence.

6.2 Drillsearch permitted activities

- (a) Subject to clause 6.2(b), the obligations of Drillsearch under clause 6.1 do not apply in respect of any matter:
 - (i) required to be done or procured by Drillsearch pursuant to, or which is otherwise contemplated by, this agreement or the Scheme;
 - (ii) Fairly Disclosed in writing to Beach before the date of this agreement as being actions that the Drillsearch Group may carry out between the date of this agreement and the Implementation Date; or
 - (iii) the undertaking of which Beach has approved in writing (which approval must not be unreasonably withheld or delayed).
- (b) Drillsearch must, in respect of any activity referred to in clause 6.2(a)(ii) or 6.2(a)(iii) that it proposes to undertake, undertake that activity substantially in the form Fairly Disclosed in writing to Beach under clause 6.2(a)(ii) or otherwise in the form approved in writing by Beach under clause 6.2(a)(iii).

6.3 Conduct of Beach's business

Subject to clause 6.4, from the date of this agreement up to and including the Implementation Date, Beach must conduct and must cause each of its Subsidiaries to conduct their businesses in the ordinary and usual course of business and:

- (a) operate those businesses consistent with past practice, in substantially the same manner as previously conducted;
- (b) use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- (c) use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;
- (d) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the Beach Group is a party, and with laws and Authorisations applicable to each member of the Beach Group; and
- (e) not take or fail to take any action that constitutes a Beach Prescribed Occurrence or that could reasonably be expected to result in a Beach Prescribed Occurrence.

6.4 Beach permitted activities

- (a) The obligations of Beach under clause 6.3 do not apply in respect of any matter:
 - (i) required to be done or procured by Beach pursuant to, or which is otherwise contemplated by, this agreement or the Scheme;
 - (ii) Fairly Disclosed in writing to Drillsearch before the date of this agreement as being actions that the Beach Group may carry out between the date of this agreement and the Implementation Date; or
 - (iii) the undertaking of which Drillsearch has approved in writing (which approval must not be unreasonably withheld or delayed).

- (b) Beach must, in respect of any activity referred to in clause 6.4(a)(ii) or 6.4(a)(iii) that it proposes to undertake, undertake that activity substantially in the form Fairly Disclosed in writing to Drillsearch under clause 6.4(a)(ii) or otherwise in the form approved in writing by Drillsearch under clause 6.4(a)(iii).

6.5 Access

- (a) In the period from the date of this agreement up to and including the earlier of the Effective Date and when this agreement is terminated, each party must respond to reasonable requests from the other party for information concerning its business and operations and otherwise provide the other party with reasonable cooperation to assist with, among other things:
 - (i) implementing the Scheme (including preparing the Explanatory Booklet); and
 - (ii) the Merger Integration Group undertaking the role set out in clause 6.6,subject to the proper performance by that party's directors and officers, and the directors and officers of its Subsidiaries, of their fiduciary duties.
- (b) Nothing in this clause 6.5 obliges a party to provide to the other party or its respective Authorised Persons any information:
 - (i) concerning the consideration by the directors of either party of the Scheme or any Competing Proposal and in the case of Beach, a Beach Competing Proposal or Beach Recommended Proposal;
 - (ii) which is commercially sensitive information;
 - (iii) which would cause or result in that party being in breach of any material obligation owed to another party (whether under an agreement or otherwise) or a breach of any duty, whether arising under statute or general law owed by that party;
 - (iv) which would compromise legal professional privilege; or
 - (v) which would breach an obligation of confidentiality to any person or any applicable privacy laws.

6.6 Merger Integration Group

- (a) As soon as practical after the date of this agreement, the parties will each nominate a senior management representative to form a merger integration group (**Merger Integration Group**). Other people may be added to support the Merger Integration Group should there be a need from time to time.
- (b) The Merger Integration Group has no executive responsibility but will provide information and updates to the Drillsearch and Beach boards, and should it have a recommendation about the Merged Group that requires implementation, it will present this to the Beach Board.
- (c) The purpose of the Merger Integration Group is to investigate, evaluate and prepare:
 - (i) internal communications so that Beach and Drillsearch stakeholders receive consistent information and messaging about the state of the Proposed Transaction and what it means for people, including both the initial announcement and ongoing communication;
 - (ii) external communications about the Proposed Transaction for the market, investors and other relevant stakeholders, including both the initial announcement and ongoing communication;
 - (iii) an assessment of strategic opportunities for the Merged Group that might warrant joint consideration; and
 - (iv) a plan that prepares the Drillsearch and Beach businesses for combining once the merger is consummated that covers, among other things:
 - (A) capital management strategy;
 - (B) human resources needs based on alignment of strategy and structure;

- (C) systems, processes and information technology; and
- (D) familiarisation, assimilation and culture.

6.7 Consultation

Beach agrees to consult with Drillsearch on the appointment of its managing director or chief executive officer.

7. Reconstitution of boards of Beach and Drillsearch Group Members

7.1 Beach Board composition

Beach represents and warrants to Drillsearch that it has been advised by each Beach director that he or she will, and Beach must procure that the Beach Board will, on the Implementation Date, take all actions necessary to ensure that:

- (a) two persons nominated by Drillsearch are lawfully appointed as directors of Beach (such nominees being existing directors of Drillsearch at the date of this agreement) on terms consistent with the terms on which existing Beach non executive directors are appointed, subject to those persons having provided a consent to act as directors of Beach; and
- (b) two existing directors of Beach, nominated by Beach, resign from their office as a Beach director by providing to the Beach Board their resignation in writing,

such that, as at the Implementation Date, the Beach Board comprises five nominees of Beach and two nominees of Drillsearch.

7.2 Drillsearch Board

- (a) On the Effective Date, but subject to the receipt by Drillsearch of signed consents to act, Drillsearch must take all actions necessary (and in accordance with the constitution of the Drillsearch Group Member, the Corporations Act and the Listing Rules) to appoint the persons nominated by Beach as new Drillsearch Directors and new directors of each Subsidiary.
- (b) On the Implementation Date, Drillsearch must procure that:
 - (i) all Drillsearch Directors resign from the Drillsearch Board; and
 - (ii) each director of each Subsidiary of Drillsearch in office on the Implementation Date resigns from their office.

7.3 Deeds of insurance and indemnity

- (a) Subject to the Scheme becoming Effective and implementation of the Proposed Transaction, Beach undertakes in favour of the Drillsearch Group and all of their respective directors and officers that it will use its best endeavours to procure that:
 - (i) for a period of 7 years after the Implementation Date, the constitutions of Drillsearch and each other member of the Drillsearch Group continue to contain such rules as are contained in those constitutions at the date of this agreement that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the Drillsearch Group; and
 - (ii) Drillsearch and each member of the Drillsearch Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and, without limiting the foregoing, not take any action which would prejudice or adversely affect any directors' and officers' runoff insurance cover taken out prior to the Implementation Date.
- (b) The undertakings contained in this clause 7.3 are subject to any Corporations Act restriction, or any restriction in the law of a jurisdiction in which an entity is incorporated and will be read down accordingly.

- (c) Drillsearch receives and holds the benefit of this clause 7.3 to the extent it relates to the other members of the Drillsearch Group and each of their respective directors and officers, as trustee for them.

8. Representations and warranties

8.1 Beach representations

- (a) Beach represents and warrants to Drillsearch (on its own behalf and separately as trustee for each of its Related Bodies Corporate and Authorised Persons) each of the matters set out in clause 8.1(b) as at the date of this agreement and on each subsequent day up to and including the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) Other than as Fairly Disclosed in the Beach Disclosure Letter, Beach represents and warrants that:
 - (i) Beach is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this agreement has been properly authorised by all necessary corporate action and Beach has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
 - (iii) this agreement constitutes legal, valid and binding obligations on it and this agreement does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which Beach is bound;
 - (iv) Beach is not in breach of its continuous disclosure obligations under the Listing Rules and, as at the date of this agreement, is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as Fairly Disclosed in writing to Drillsearch before the date of this agreement);
 - (v) the Beach Information provided to Drillsearch in accordance with clause 5.2(a) for inclusion in the Explanatory Booklet will:
 - (A) be provided in good faith;
 - (B) comply in all material respects with the requirements of the Corporations Act, the Listing Rules and RG 60; and
 - (C) be provided on the understanding that Drillsearch and its Related Bodies Corporate and Authorised Persons will rely on that information for the purposes of preparing the Explanatory Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
 - (vi) the Beach Provided Material in the Beach Meeting Materials:
 - (A) will be prepared and included in the Beach Meeting Materials in good faith; and
 - (B) will comply in all material respects with the requirements of the Corporations Act and the Listing Rules;
 - (vii) as at the date the Beach Meeting Materials is despatched to Beach Shareholders, the Beach Meeting Materials (excluding the Drillsearch Provided Material and the Beach Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
 - (viii) all information provided by or on behalf of Beach to the Beach Independent Expert to enable the Beach Independent Expert's Report to be included in the Beach Meeting Materials to be prepared and completed will be provided in good faith;

- (ix) Beach's FY15 Full Year Report and Beach's financial statements in its annual reports for FY14 and FY13, as disclosed to ASX, have been prepared in accordance with the Accounting Standards and, so far as Beach is aware, there has not been any event, change, effect or development which would require Beach to restate its financial statements as disclosed to ASX;
- (x) all information provided by or on behalf of Beach to the Drillsearch Independent Expert or the Investigating Accountant to enable the Drillsearch Independent Expert's Report and the Investigating Accountant's Report, respectively, to be included in the Explanatory Booklet to be prepared and completed will be provided in good faith;
- (xi) as at the date the Explanatory Booklet is despatched to Drillsearch Shareholders, the Beach Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act, will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (xii) as at the date of this agreement, the total issued capital of Beach is:
 - (A) 1,302,877,977 Beach Shares;
 - (B) 3,493,755, Beach Performance Rights,
 and, except as Fairly Disclosed to Drillsearch in writing before the date of this agreement, there are no other Beach options, performance rights, shares, convertible notes or other securities (or offers or agreements to issue any of the foregoing);
- (xiii) Beach will, as a continuing obligation, provide to Drillsearch all such further or new information which may arise after the Explanatory Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the Beach Information, in the form and context in which that information appears in the version of the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act, is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (xiv) between 1 July 2015 and the date of this agreement Beach has conducted its business in the ordinary and usual course of business, consistent with past practice;
- (xv) other than as Fairly Disclosed to Drillsearch in writing before the date of this agreement, as at the date of this agreement no Regulatory Approvals are required to be obtained by Beach in order for it to execute and perform the Transaction Documents to which it is a party and to implement the Scheme;
- (xvi) as at the date of this agreement, there is no judgment, injunction, order or decree binding on any member of the Beach Group that has or would be likely to have the effect of prohibiting, materially restricting or materially impairing after the Effective Date any business of the Beach Group as presently being conducted;
- (xvii) as at the date of this agreement, no member of the Beach Group, nor the assets, properties or business of any member of the Beach Group, is subject to any judgment, order, writ, injunction or decree of any court, Regulatory Authority or arbitration tribunal and so far as Beach is aware:
 - (A) there are no material actions, suits, arbitrations, legal or administrative proceedings pending against any member of the Beach Group; and
 - (B) no member of the Beach Group is the subject of any pending investigation, other than as Fairly Disclosed in writing to Drillsearch before the date of this agreement;
- (xviii) no shareholder approval of Beach is required to complete the Proposed Transaction other than the approval referred to in clause 3.1(d); and

- (xix) other than as Fairly Disclosed to Drillsearch in writing before the date of this agreement, as far as the directors of Beach are aware:
- (A) neither Beach nor any of its Subsidiaries is in default under any agreement, instrument or deed binding on it or its assets; and
 - (B) nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such agreement, instrument or deed,
- which individually or in aggregate could reasonably be expected to have a Material Adverse Effect on Beach.

8.2 Beach's indemnity

Beach agrees with Drillsearch (on Drillsearch's own behalf and separately as trustee or nominee for each of the other Drillsearch Indemnified Parties) to indemnify and keep indemnified the Drillsearch Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Drillsearch Indemnified Parties may suffer or incur by reason of any breach of any of the representations and warranties in clauses 8.1(a) or 8.1(b).

8.3 Drillsearch representations

- (a) Drillsearch represents and warrants to Beach (on its own behalf and separately as trustee for each of its Related Bodies Corporate and Authorised Persons) each of the matters set out in clause 8.3(b) as at the date of this agreement and on each subsequent day up to and including the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) Other than as Fairly Disclosed in the Drillsearch Disclosure Letter, Drillsearch represents and warrants that:
 - (i) Drillsearch is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this agreement by Drillsearch has been properly authorised by all necessary corporate action and Drillsearch has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
 - (iii) this agreement constitutes legal, valid and binding obligations on it and this agreement does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which Drillsearch is bound;
 - (iv) as at the date of this agreement the execution of this agreement by Drillsearch and (subject to satisfaction or waiver of the Conditions) the implementation of the Proposed Transaction as contemplated by this agreement does not and will not:
 - (A) constitute a breach of or default under, or constitute an event that with notice or lapse of time, or both, would constitute a breach of or default by;
 - (B) in any material respect, accelerate or permit the acceleration of the performance required by; or
 - (C) give rise to any material obligation or material liability on the part of, or any third party rights (including any right of termination, purchase or pre-emption) that are adverse to the interests of,any member of the Drillsearch Group, under any JV Agreement or other agreement or instrument relating to the rights and interests of a Drillsearch Group Member in respect of any Material Drillsearch Tenement (other than any JV Agreement and any other agreement to which any Beach Group Member is a party as at the date of this agreement), or in respect of the Existing Working Capital Facility;

- (v) the Drillsearch Information contained in the Explanatory Booklet:
 - (A) will be prepared and included in the Explanatory Booklet in good faith; and
 - (B) will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and RG 60;
- (vi) as at the date the Explanatory Booklet is despatched to Drillsearch Shareholders, the Explanatory Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Beach Information, the Drillsearch Independent Expert's Report and Investigating Accountant's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (vii) all information provided by or on behalf of Drillsearch to the Drillsearch Independent Expert or Investigating Accountant to enable the Drillsearch Independent Expert's Report and the Investigating Accountant's Report, respectively, to be included in the Explanatory Booklet to be prepared and completed will be provided in good faith;
- (viii) all information provided by or on behalf of Drillsearch to the Beach Independent Expert to enable the Beach Independent Expert's Report to be included in the Beach Meeting Materials to be prepared and completed will be provided in good faith;
- (ix) as at the date the Beach Meeting Materials is despatched to Beach Shareholders, the Drillsearch Provided Materials, in the form and context in which that information appears in the Beach Meeting Materials will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (x) Drillsearch is not in breach of its continuous disclosure obligations under the Listing Rules and, as at the date of this agreement, is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as Fairly Disclosed in writing to Beach on or before the date of this agreement);
- (xi) as at the date of this agreement, the total issued capital of Drillsearch is:
 - (A) 462,254,673 Drillsearch Shares;
 - (B) 3,590,933 Drillsearch Options;
 - (C) 5,059,909 Drillsearch Performance Rights; and
 - (D) 1,250 Drillsearch Convertible Notes,
 and there are no other Drillsearch options, performance rights, shares, convertible notes or other securities (or offers or agreements to issue any of the foregoing);
- (xii) between 1 July 2015 and the date of this agreement Drillsearch has conducted its business in the ordinary and usual course of business, consistent with past practice;
- (xiii) as at the date of this agreement, no member of the Drillsearch Group, nor the assets, properties or business of any member of the Drillsearch Group, is subject to any judgment, order, writ, injunction or decree of any court, Regulatory Authority or arbitration tribunal and so far as Drillsearch is aware:
 - (A) there are no material actions, suits, arbitrations, legal or administrative proceedings pending against any member of the Drillsearch Group; and
 - (B) no member of the Drillsearch Group is the subject of any pending investigation;
- (xiv) Drillsearch's FY15 Full Year Report and Drillsearch's financial statements in its annual reports for FY14 and FY13, as disclosed to ASX, have been prepared in accordance with the Accounting Standards and, so far as Drillsearch is aware, there has not been any event, change, effect or development which would require Drillsearch to restate its financial statements as disclosed to ASX;
- (xv) as far as the Drillsearch Directors and Senior Management are aware:

- (A) neither Drillsearch nor any of its Subsidiaries is in default under any agreement, instrument or deed binding on it or its assets; and
- (B) nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such agreement, instrument or deed,

which individually or in aggregate could reasonably be expected to have a Material Adverse Effect on Drillsearch;

- (xvi) no shareholder approval of Drillsearch is required to complete the Proposed Transaction other than the approval referred to in clause 3.1(c); and
- (xvii) other than expressly set out in this agreement, no Regulatory Approvals are required to be obtained by Drillsearch in order for it to execute and perform the Transaction Documents to which it is a party and to implement the Scheme.

8.4 Drillsearch's indemnity

Drillsearch shall indemnify and keep indemnified Beach, and each of Beach's Related Bodies Corporate and Authorised Persons, from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Beach or any of Beach's Related Bodies Corporate and Authorised Persons may suffer or incur by reason of any breach of any of the representations and warranties in clauses 8.3(a) or 8.3(b).

8.5 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 8.

8.6 Survival of representations

Each representation and warranty in clauses 8.1 and 8.3:

- (a) is severable;
- (b) will survive the termination of this agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

8.7 Survival of indemnities

Each indemnity in this agreement (including those in clauses 8.2 and 8.4) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this agreement; and
- (d) survive the termination of this agreement.

8.8 Liability of directors and Authorised Persons

- (a) Each party releases its rights against, and will not make any claim against, any past or present director or Authorised Person of any other party in relation to information provided to it or in relation to its execution or delivery this agreement to the extent that the past or present director or Authorised Person has acted in good faith.
- (b) Each party holds the releases in clause 8.8(a) in respect of its directors and Authorised Persons as trustee for its directors and Authorised Persons.

9. Confidentiality and Public announcement

9.1 Confidentiality

- (a) Subject to clause 9.1(b), each party acknowledges and agrees that:
- (i) information provided to it by the other, or otherwise obtained by it from the other, in the course of proposing, negotiating or implementing the Proposed Transaction (including information provided before or after the date of this agreement); and
 - (ii) all copies of such information, and all notes and other records of such information, is strictly confidential (**Confidential Information**) and may not be disclosed by the recipient party to any third party (except as permitted by this agreement).
- (b) Notwithstanding clause 9.1(a), information (and copies and records of information) that would otherwise be Confidential Information shall not be if:
- (i) it is known by the recipient party before being provided to or otherwise obtained by the recipient party from the other party; or
 - (ii) it is in or becomes part of the public domain, other than by reason of a breach of this agreement; or
 - (iii) it is or becomes available to the recipient party from another person other than in breach of an obligation of confidentiality of that other person.
- (c) Confidential Information may only be disclosed by a party:
- (i) to a Related Body Corporate or any director, officer, employee, consultant, agent, financier or Adviser of that party (or of any Related Body Corporate) for the purpose of implementing the Proposed Transaction, provided that the disclosing party ensures that the recipient only uses it for the purposes of implementing the Proposed Transaction and otherwise complies with these terms of confidentiality; or
 - (ii) to the extent such disclosure is required by law, the rules of a Recognised Stock Exchange, or any requirement of a court or Government Agency.

9.2 Public announcements on execution

Immediately after the execution of this agreement, the parties must jointly issue the Agreed Public Announcement.

9.3 Further public announcements

Any further public announcements by Drillsearch or Beach in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this agreement or the Scheme may only be made in a form approved by each party in writing (acting reasonably), subject to where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this agreement or the Scheme.

10. Termination

10.1 Termination for non-satisfaction of Conditions or Effective Date

Either Beach or Drillsearch may, by notice in writing to the other, terminate this agreement at any time prior to the Effective Date:

- (a) if, subject to clauses 3.7(a) and 3.7(c), the Scheme has not become Effective by 11:50pm on the End Date; or
- (b) in accordance with clause 3.7(b).

10.2 Other termination rights

- (a) Beach or Drillsearch may, by notice in writing to the other, terminate this agreement at any time prior to 8.00am on the Second Court Date:
 - (i) if such termination is mutually agreed by the parties in writing;
 - (ii) if the other is in material breach of any of its material obligations under this agreement (including a material breach of a representation or warranty) and either:
 - (A) the other party has failed to remedy that breach, or the breach is not capable of being remedied by subsequent action by the party in breach, within five Business Days of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach or, if earlier, by 3.00pm two Business Days before the Second Court Date; or
 - (B) the breach occurs, or the terminating party is first notified of the breach, after 3.00pm two Business Days before the Second Court Date; or
 - (iii) if the Court refuses to make any order directing Drillsearch to convene the Scheme Meeting, provided that both Drillsearch and Beach have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme.
- (b) Drillsearch may, by notice in writing to Beach, terminate this agreement at any time prior to 8.00am on the Second Court Date if all or a majority of the Drillsearch Board change, withdraw or modify the recommendation in accordance with clause 5.7(b).
- (c) Drillsearch may, by notice in writing to Beach, terminate this agreement at any time prior to 8.00am on the Second Court Date if:
 - (i) any director of Beach:
 - (A) withdraws or adversely modifies their recommendation of the Substantial Shareholder Acquisition or recommends or supports a Beach Competing Proposal;
 - (B) does not recommend in the Beach Meeting Materials that Beach Shareholders approve the Substantial Shareholder Acquisition in the absence of a Beach Superior Proposal; or
 - (C) makes any public statement to the effect that the Substantial Shareholder Acquisition is not, or is no longer, recommended; or
 - (ii) notwithstanding clause 10.2(a), Beach has committed a material breach of any provision of clause 14.
- (d) Beach may, by notice in writing to Drillsearch, terminate this agreement at any time prior to 8.00am on the Second Court Date if:
 - (i) any director of Drillsearch:
 - (A) withdraws or adversely modifies their recommendation of the Proposed Transaction;
 - (B) does not recommend in the Explanatory Booklet that Drillsearch Shareholders approve the Scheme in the absence of a Superior Proposal; or
 - (C) makes any public statement to the effect that the Scheme is not, or is no longer, recommended; or
 - (ii) notwithstanding clause 10.2(a), Drillsearch has committed a material breach of any provision of clause 13.
- (e) Beach may, by notice in writing to Drillsearch, terminate this agreement at any time prior to 8.00am on the Second Court Date if all or a majority of the Beach Board change, withdraw or modify the recommendation in accordance with clause 5.8(b).

10.3 Effect of termination

- (a) In the event of termination of this agreement under clauses 3.7(b) (Conditions not capable of being fulfilled or Scheme not Effective by End Date), 10.1 (Termination for non satisfaction of Conditions or Effective Date), 10.2 (Other termination rights), this agreement will become void and have no effect, except that the provisions of clauses 8.2 (Beach's indemnity), 8.4 (Drillsearch's indemnity), 8.6 (Survival of representations), 8.7 (Survival of indemnities), 8.8 (Liability of directors and Authorised Persons), 9 (Confidentiality and Public announcement), 10.4 (Disclosure on termination of agreement), 11 (Drillsearch Break Fee), 12 (Beach Break Fee) and 17.3 (Payments) to 17.18 (Governing law) (inclusive) and this clause 10.3 (Effect of termination) survive termination.
- (b) Termination of this agreement does not affect any accrued rights of a party in respect of a breach of this agreement prior to termination.

10.4 Disclosure on termination of agreement

The parties agree that, if this agreement is terminated, any party may disclose:

- (a) the fact that this agreement has been terminated to ASIC, to the Court, and where such disclosure is otherwise required by the Listing Rules or is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed; and
- (b) information that is required to be disclosed as a matter of law or in any proceedings.

11. Drillsearch Break Fee

11.1 Background

- (a) Drillsearch acknowledges that if the parties enter into this agreement and the Scheme is subsequently not implemented, Beach will incur significant costs including those described in clause 11.2.
- (b) In the circumstances referred to in clause 11.1(a), Beach has requested that provision be made for the payments outlined in clause 11.3, without which Beach would not have entered into this agreement.
- (c) The Drillsearch Board believes that the Scheme will provide benefit to Drillsearch and Drillsearch Shareholders and that it is appropriate for Drillsearch to agree to the payments referred to in this clause 11.3 in order to secure Beach's participation in the Proposed Transaction.

11.2 Costs incurred by Beach

- (a) The fee payable under clause 11.3 has been calculated to reimburse Beach for the following:
 - (i) fees for legal and financial advice in planning and implementing the Proposed Transaction;
 - (ii) reasonable opportunity costs incurred in engaging in the Proposed Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Proposed Transaction;
 - (iv) out of pocket expenses incurred in planning and implementing the Proposed Transaction;
 - (v) costs associated with the financing arrangements in respect of the Proposed Transaction; and
 - (vi) any damage to the Beach's reputation associated with a failed transaction and the implications of those damages if the Beach seeks to execute alternative acquisitions in the future,

in each case, incurred by Beach directly or indirectly as a result of having entered into this agreement and pursuing the Proposed Transaction.

- (b) The parties acknowledge that:
- (i) the amount of fees, costs and losses referred to in this clause 11.2 is inherently unascertainable and that, even after termination of this agreement, the costs will not be able to be accurately ascertained; and
 - (ii) the amount of the costs payable under clause 11.3 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be in excess of this amount).

11.3 Payment by Drillsearch to Beach

- (a) Drillsearch agrees to pay to Beach \$3,842,492 (exclusive of GST) (**Drillsearch Break Fee**) (being 1% of the market capitalisation of Drillsearch on the basis of the bid ratio) if:
- (i) (**Competing Proposal**) a Competing Proposal is publicly announced or made before the Effective Date (or the termination of this agreement, whichever occurs first) and, within twelve months from the date of this agreement, the third party who announced or made the Competing Proposal (or its Related Body Corporate or associate):
 - (A) acquires a relevant interest in more than 50% of all Drillsearch Shares and that acquisition is (or becomes) free from any defeating conditions;
 - (B) acquires or becomes the holder of, or otherwise acquires an economic interest in, all or a substantial part of the assets of Drillsearch or the Drillsearch Group;
 - (C) acquires control of Drillsearch, within the meaning of section 50AA of the Corporations Act (but disregarding sub-section 50AA(4)); or
 - (D) otherwise acquires or merges with Drillsearch (including by way of reverse takeover bid, reverse scheme of arrangement of dual listed companies structure);
 - (ii) (**Entry into a Competing Proposal**) between the date of this agreement and the earlier of the End Date and the termination of this agreement, Drillsearch accepts, or enters into, or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal;
 - (iii) (**Change of recommendation**) at any time prior to the Second Court Date (or the termination of this agreement, whichever occurs first), any director of Drillsearch publicly:
 - (A) withdraws or adversely modifies or qualifies their recommendation of the Proposed Transaction or recommends or supports a Competing Proposal;
 - (B) does not recommend in the Explanatory Booklet that Drillsearch Shareholders approve the Scheme in the absence of a Superior Proposal; or
 - (C) makes any public statement to the effect that the Scheme is not, or is no longer, recommended,other than as a result of:
 - (D) the Drillsearch Independent Expert concluding (either in the Drillsearch Independent Expert's Report or in any updated, revised or supplemental report) that the Scheme is not in the best interests of Drillsearch Shareholders and that conclusion is not due to a Competing Proposal; or
 - (E) a Beach Recommended Proposal, where the director of Drillsearch does so within 10 Business Days of Beach's announcement to ASX of the Beach Recommended Proposal; or
 - (F) any matter or thing giving Drillsearch the right to terminate this agreement under clause 10.2(a)(ii) or clause 10.2(c)(ii) (Other termination rights); or

- (G) the Condition in clause 3.1(m) (No Beach Material Adverse Change) or 3.1(n) (No Beach Prescribed Occurrence) is breached or not satisfied and Drillsearch terminates this agreement in accordance with clause 10.1(b); or
 - (H) the Scheme does not become Effective by 11.50pm on the End Date solely as result of the Condition in clause 3.1(a) (Regulatory Approvals) not being satisfied, other than as a result of a breach by Drillsearch of clause 3.3 (Satisfaction of Conditions);
 - (iv) **(no Shareholder Approval)** this agreement is terminated in accordance with clause 3.7(b) or clause 10.1(b) by reason of the failure to satisfy the Condition in clause 3.1(c) (Shareholder Approval); or
 - (v) **(Material Breach)** Beach terminates this agreement in accordance with clause 10.2(a)(ii) or 10.2(d)(ii).
- (b) Drillsearch must pay Beach the Drillsearch Break Fee within five Business Days of receipt by Drillsearch of a demand for payment from Beach made after the occurrence of the event referred to in clause 11.3(a).

11.4 Drillsearch Break Fee not payable

Despite any other terms of this agreement:

- (a) the Drillsearch Break Fee will not be payable to Beach if the Scheme becomes Effective; and
- (b) the Drillsearch Break Fee is only payable once.

11.5 Drillsearch limitation of liability

Notwithstanding any other provisions of this agreement but subject to clause 11.6:

- (a) the maximum liability of Drillsearch to Beach under or in connection with this agreement including in respect of any breach of the agreement will be the Drillsearch Break Fee referred to in clause 11.3; and
- (b) a payment by Drillsearch in accordance with this clause 11 represents the sole and absolute liability of Drillsearch under or in connection with this agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by Drillsearch in connection with this agreement.

11.6 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Drillsearch Break Fee (**Drillsearch Impugned Amount**):

- (a) would, if paid, be unlawful for any reason;
- (b) involves a breach of the fiduciary or statutory duties of the Drillsearch Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act or breaches an order of the Takeovers Panel,

then:

- (d) the requirement to pay the Drillsearch Break Fee does not apply to the extent of the Drillsearch Impugned Amount; and
- (e) if Beach has received the Drillsearch Impugned Amount, it must refund it within five Business Days of the final determination being made.

Drillsearch must not seek any such determination and must use all reasonable endeavours to ensure that no such determination is made.

12. Beach Break Fee

12.1 Background

- (a) Beach acknowledges that, if the parties enter into this agreement and the Scheme is subsequently not implemented, Drillsearch will incur significant costs including those described in clause 12.2.
- (b) In the circumstances referred to in clause 12.1(a), Drillsearch has requested that provision be made for the payments outlined in clause 12.3, without which Drillsearch would not have entered into this agreement.
- (c) The Beach Board believes that the Scheme will provide benefit to Beach and Beach Shareholders and that it is appropriate for Beach to agree to the payments referred to in this clause 12 in order to secure Drillsearch's participation in the Proposed Transaction.

12.2 Costs incurred by Drillsearch

- (a) The fee payable under clause 12.3 has been calculated to reimburse Drillsearch for the following:
 - (i) fees for legal and financial advice in planning and implementing the Proposed Transaction;
 - (ii) reasonable opportunity costs incurred in engaging in the Proposed Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Proposed Transaction;
 - (iv) out of pocket expenses incurred in planning and implementing the Proposed Transaction; and
 - (v) any damage to Drillsearch's reputation associated with a failed transaction and the implications of those damages if Drillsearch seeks to execute alternative transactions in the future,in each case, incurred by Drillsearch directly or indirectly as a result of having entered into this agreement and pursuing the Proposed Transaction.
- (b) The parties acknowledge that:
 - (i) the amount of fees, costs and losses referred to in this clause 12.2 is inherently unascertainable and that, even after termination of this agreement, the costs will not be able to be accurately ascertained; and
 - (ii) the amount of the costs payable under clause 12.3 is a genuine and reasonable preestimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be in excess of this amount).

12.3 Payment by Beach to Drillsearch

- (a) Subject to clause 12.4, Beach agrees to pay to Drillsearch \$3,842,492 (exclusive of GST) (**Beach Break Fee**) (being 1% of the market capitalisation of Drillsearch on the basis of the bid ratio) if:
 - (i) **(Entry into a Beach Competing Proposal)** between the date of this agreement and the earlier of the End Date and the termination of this agreement, Beach accepts, or enters into, or offers to accept or enter into, any agreement, arrangement or understanding regarding a Beach Competing Proposal;
 - (ii) **(Change of recommendation)** at any time prior to the Second Court Date (or the termination of this agreement, whichever occurs first), any director of Beach publicly:
 - (A) withdraws or adversely modifies or qualifies their recommendation of the Substantial Shareholder Acquisition; or

- (B) does not recommend in the Beach Meeting Materials that Beach Shareholders approve the Substantial Shareholder Acquisition in the absence of a Beach Superior Proposal; or
 - (C) makes any public statement to the effect that the Substantial Shareholder Acquisition is not, or is no longer, recommended, other than as a result of:
 - (D) the Beach Independent Expert concluding (either in the Beach Independent Expert's Report or in any updated, revised or supplemental report) that the Substantial Shareholder Acquisition is not fair and not reasonable for the Beach Shareholders and that conclusion is not due to a Beach Competing Proposal; or
 - (E) any matter or thing giving Beach the right to terminate this agreement under clause 10.2(a)(ii) or clause 10.2(d)(ii); or
 - (F) the Condition in clause 3.1(i) (No Drillsearch Material Adverse Change) or 3.1(j) (No Drillsearch Prescribed Occurrence) is breached or not satisfied and Beach terminates this agreement in accordance with clause 10.1(b); or
 - (G) the Scheme does not become Effective by 11.50pm on the End Date solely as result of the Condition in clause 3.1(a) (Regulatory Approvals) not being satisfied, other than as a result of a breach by Beach of clause 3.3 (Satisfaction of Conditions);
 - (iii) **(Beach Shareholder Approval is not obtained)** this agreement is terminated in accordance with clause 3.7(b) or clause 10.1(b) by reason of the failure to satisfy the Condition in clause 3.1(d) (Beach Shareholder Approval); or
 - (iv) **(Material Breach)** Drillsearch terminates this agreement in accordance with clause 10.2(a)(ii).
- (b) Beach must pay Drillsearch the Beach Break Fee within five Business Days of receipt by Beach of a demand for payment from Drillsearch made after the occurrence of the event referred to in clause 12.3(a).

12.4 Beach Break Fee not payable

Despite any other terms of this agreement:

- (a) the Beach Break Fee will not be payable to Drillsearch if the Scheme becomes Effective; and
- (b) the Beach Break Fee is only payable once.

12.5 Beach limitation of liability

Notwithstanding any other provisions of this agreement but subject to clause 12.6:

- (a) the maximum liability of Beach to Drillsearch under or in connection with this agreement including in respect of any breach of the agreement will be the Beach Break Fee referred to in clause 12.3; and
- (b) a payment by Beach in accordance with this clause 12 represents the sole and absolute liability of Beach under or in connection with this agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by Beach in connection with this agreement.

12.6 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Beach Break Fee (**Beach Impugned Amount**):

- (a) would, if paid, be unlawful for any reason;
- (b) involves a breach of the fiduciary or statutory duties of the Beach Board; or

- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act or breaches an order of the Takeovers Panel,

then:

- (d) the requirement to pay the Beach Break Fee does not apply to the extent of the Beach Impugned Amount; and
- (e) if Drillsearch has received the Beach Impugned Amount, it must refund it within five Business Days of the final determination being made.

Beach must not seek any such determination and must use all reasonable endeavours to ensure that no such determination is made.

13. Exclusivity by Drillsearch

13.1 No shop

During the Exclusivity Period, Drillsearch must not, and must ensure that its Authorised Persons do not, except with the prior written consent of Beach, directly or indirectly solicit, invite or encourage any Competing Proposal or initiate discussions with any third party with a view to obtaining any expressions of interest, offer or proposal from any person in relation to a Competing Proposal.

13.2 No talk and no due diligence

Subject to clause 13.3, during the Exclusivity Period, Drillsearch must not and must ensure that its Authorised Persons do not, except with the prior written consent of Beach, directly or indirectly:

- (a) enter into or participate in any discussions or negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
- (b) enter into any relevant agreement in connection with a Competing Proposal; or
- (c) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal.

13.3 Exceptions

Clause 13.2 does not apply if the Drillsearch Board, acting in good faith, determines:

- (a) where there is a written Competing Proposal, that the Competing Proposal is a Superior Proposal or the steps which the Drillsearch Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
- (b) after receiving written legal advice from Drillsearch's external legal advisers, that failing to respond to, or take action in relation to, the Competing Proposal would be reasonably likely to constitute a breach of its fiduciary or statutory duties.

13.4 Drillsearch warranty and undertakings

- (a) Other than as Fairly Disclosed in the Drillsearch Disclosure Letter, Drillsearch warrants as at the date of this agreement:
 - (i) that it has, and its Authorised Persons have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal; and
 - (ii) that it has requested or will request as soon as practicable after the date of this agreement (and in any event not later than two Business Days after the date of this agreement), the return or destruction of Drillsearch's confidential information in accordance with the terms of any relevant confidentiality agreement from all third parties conducting due diligence investigations on the Drillsearch Group in connection with such third party's consideration of a possible Competing Proposal prior to the date of this agreement.
- (b) During the Exclusivity Period, without limiting clause 13.3, Drillsearch must not provide any material non-public information to a person in connection with or to directly or

indirectly encourage a Competing Proposal unless such information provided to that person is also provided to Beach (unless the information has already been provided to Beach or an Authorised Person of Beach).

- (c) During the Exclusivity Period, Drillsearch must:
 - (i) as soon as reasonably practicable, ensure that the electronic data room access granted to any third party prior to the date of this agreement in connection with a Competing Proposal is withdrawn; and
 - (ii) not grant any waivers or agree to any amendments under any confidentiality agreements entered into in connection with a Competing Proposal (before the date of this agreement).

13.5 Notice of Competing Proposal

- (a) During the Exclusivity Period, Drillsearch must:
 - (i) within 2 Business Days of receipt by it or any of its Authorised Persons of any Competing Proposal or written proposal which may reasonably be expected to lead to a Competing Proposal (including any variation of a Competing Proposal made prior to the date of this agreement) provide written notice to Beach of the material terms of the proposal; and
 - (ii) provide Beach with regular updates on the status of any such written proposal, (each a **Competing Proposal Notice**).
- (b) Drillsearch will use its reasonable endeavours to ask the person who has made the applicable Competing Proposal (the **Drillsearch Competing Party**) for their consent to their name being provided by Drillsearch to Beach in the Competing Proposal Notice on a confidential basis. If consent is refused, Drillsearch may only withhold the name of the Drillsearch Competing Party from Beach if the Drillsearch Board, acting in good faith, determines that failing to do so would be likely to involve a breach of the fiduciary or statutory obligations owed by any Drillsearch Director.
- (c) For the avoidance of doubt each new Competing Proposal and each successive material modification or update to a Competing Proposal will oblige Drillsearch to issue a new Competing Proposal Notice and this clause 13.5 will continue to operate on multiple occasions according to its terms.
- (d) If Drillsearch gives Beach a Competing Proposal Notice, Beach agrees that the notice will be treated as Confidential Information.
- (e) If Drillsearch receives a Competing Proposal, determines the Competing Proposal is a Superior Proposal and proposes to:
 - (i) enter into any legally binding agreement with respect to that Competing Proposal; or
 - (ii) publicly recommend or support that Competing Proposal,it must give Beach three clear Business Days' prior notice in writing of such proposed course of action.
- (f) During the period of three clear Business Days referred to in clause 13.5(e), Drillsearch must procure that no director of Drillsearch withdraws or adversely modifies their recommendation of the Proposed Transaction or recommends or supports a Competing Proposal.
- (g) During the period of three clear Business Days referred to in clause 13.5(e), Beach will have the right, but not the obligation, at any time until the expiration of the three Business Days to:
 - (i) offer to amend the terms of the Scheme; or
 - (ii) propose any other transaction,which must be submitted to Drillsearch in writing (each a **Beach Counterproposal**), and if Beach does so, the Drillsearch Board must review the Beach Counterproposal in good

faith and in order to satisfy what the Drillsearch Board considers is required to comply with its fiduciary and statutory duties, to determine whether the Beach Counterproposal is a Superior Proposal.

- (h) If the Drillsearch Board determines, in good faith and in order to satisfy what the Drillsearch Board considers to be its fiduciary and statutory duties, that the Beach Counterproposal is more favourable to Drillsearch Shareholders than the Competing Proposal, then:
 - (i) if the Beach Counterproposal contemplates an amendment to the Scheme, the parties must enter into a deed amending this agreement in relation to the Scheme and reflecting the Beach Counterproposal;
 - (ii) if the Beach Counterproposal contemplates any other transaction, Drillsearch must make an announcement as soon as reasonably practicable recommending the Beach Counterproposal, in the absence of a more favourable proposal, and the parties must pursue implementation of the Beach Counterproposal in good faith; and
 - (iii) Drillsearch must not take any of the steps referred in clause 13.5(e).

14. Exclusivity by Beach

14.1 No shop

During the Exclusivity Period, Beach must not, and must ensure that its Authorised Persons do not, except with the prior written consent of Drillsearch, directly or indirectly solicit, invite or encourage any Beach Competing Proposal or any Beach Recommended Proposal (excluding paragraph (a) of the definition of that term) or initiate discussions with any third party with a view to obtaining any expressions of interest, offer or proposal from any person in relation to a Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term).

14.2 No talk and no due diligence

Subject to clause 14.3, during the Exclusivity Period, Beach must not and must ensure that its Authorised Persons do not, except with the prior written consent of Drillsearch, directly or indirectly:

- (a) enter into or participate in any discussions or negotiations in relation to a Beach Competing Proposal or which may reasonably be expected to lead to a Beach Competing Proposal;
- (b) enter into any relevant agreement in connection with a Beach Competing Proposal; or
- (c) provide any information to a third party for the purposes of enabling that party to make a Beach Competing Proposal.

14.3 Exceptions

Clause 14.2 does not apply if the Beach Board, acting in good faith, determines:

- (a) where there is a written Beach Competing Proposal, that the Beach Competing Proposal is a Beach Superior Proposal or the steps which the Beach Board proposes to take may reasonably be expected to lead to a Beach Competing Proposal which is a Beach Superior Proposal; and
- (b) after receiving written legal advice from Beach's external legal advisers, that failing to respond to, or take action in relation to, the Beach Competing Proposal would be reasonably likely to constitute a breach of its fiduciary or statutory duties.

14.4 Beach warranty and undertakings

- (a) Other than as Fairly Disclosed in the Beach Disclosure Letter, Beach warrants as at the date of this agreement:
 - (i) that it has, and its Authorised Persons have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term); and
 - (ii) that it has requested or will request as soon as practicable after the date of this agreement (and in any event not later than two Business Days after the date of this agreement), the return or destruction of Beach's confidential information in accordance with the terms of any relevant confidentiality agreement from all third parties conducting due diligence investigations on the Beach Group in connection with such third party's consideration of a possible Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term) prior to the date of this agreement.
- (b) During the Exclusivity Period, without limiting clause 14.3, Beach must not provide any material non-public information to a person in connection with or to directly or indirectly encourage a Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term) unless such information provided to that person is also provided to Drillsearch (unless the information has already been provided to Drillsearch or an Authorised Person of Drillsearch).
- (c) During the Exclusivity Period, Beach must:
 - (i) as soon as reasonably practicable, ensure that the electronic data room access granted to any third party prior to the date of this agreement in connection with a Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term) is withdrawn; and
 - (ii) not grant any waivers or agree to any amendments under any confidentiality agreements entered into (before the date of this agreement) in connection with a Beach Competing Proposal or a Beach Recommended Proposal (excluding paragraph (a) of the definition of that term).

14.5 Notice of Beach Competing Proposal

- (a) During the Exclusivity Period, Beach must:
 - (i) within 2 Business Days of receipt by it or any of its Authorised Persons of any Beach Competing Proposal or written proposal which may reasonably be expected to lead to a Beach Competing Proposal (including any variation of a Beach Competing Proposal made prior to the date of this agreement) provide written notice to Drillsearch of the material terms of the proposal; and
 - (ii) provide Drillsearch with regular updates on the status of any such written proposal,

(each a **Beach Competing Proposal Notice**).
- (b) Beach will use its reasonable endeavours to ask the person who has made the applicable Beach Competing Proposal (the **Beach Competing Party**) for their consent to their name being provided by Beach to Drillsearch in the Competing Proposal Notice on a confidential basis. If consent is refused, Beach may only withhold the name of the Beach Competing Party from Drillsearch if the Beach Board, acting in good faith, determines that failing to do so would be likely to involve a breach of the fiduciary or statutory obligations owed by any Beach Director.
- (c) For the avoidance of doubt each new Beach Competing Proposal and each successive material modification or update to a Beach Competing Proposal will oblige Beach to issue a new Beach Competing Proposal Notice and this clause 14.5 will continue to operate on multiple occasions according to its terms.
- (d) If Beach gives Drillsearch a Beach Competing Proposal Notice, Drillsearch agrees that the notice will be treated as Confidential Information.

- (e) If Beach receives a Beach Competing Proposal, determines the Beach Competing Proposal is a Beach Superior Proposal and proposes to:
 - (i) enter into any legally binding agreement with respect to that Beach Competing Proposal; or
 - (ii) publicly recommend or support that Beach Competing Proposal,
 it must give Drillsearch three clear Business Days' prior notice in writing of such proposed course of action.
- (f) During the period of three clear Business Days referred to in clause 14.5(e), Beach must procure that no director of Beach withdraws or adversely modifies their recommendation of the Proposed Transaction or recommends or supports a Beach Competing Proposal.
- (g) During the period of three clear Business Days referred to in clause 14.5(e), Drillsearch will have the right, but not the obligation, at any time until the expiration of the three Business Days to:
 - (i) offer to amend the terms of the Scheme; or
 - (ii) propose any other transaction,
 which must be submitted to Beach in writing (each a **Drillsearch Counterproposal**), and if Drillsearch does so, the Beach Board must review the Drillsearch Counterproposal in good faith and in order to satisfy what the Beach Board considers is required to comply with its fiduciary and statutory duties, to determine whether the Drillsearch Counterproposal is a Beach Superior Proposal.
- (h) If the Beach Board determines, in good faith and in order to satisfy what the Beach Board considers to be its fiduciary and statutory duties, that the Drillsearch Counterproposal is more favourable to Beach Shareholders than the Beach Competing Proposal, then:
 - (i) if the Drillsearch Counterproposal contemplates an amendment to the Scheme, the parties must enter into a deed amending this agreement in relation to the Scheme and reflecting the Drillsearch Counterproposal;
 - (ii) if the Drillsearch Counterproposal contemplates any other transaction, Beach must make an announcement as soon as reasonably practicable recommending the Drillsearch Counterproposal, in the absence of a more favourable proposal, and the parties must pursue implementation of the Drillsearch Counterproposal in good faith; and
 - (iii) Beach must not take any of the steps referred in clause 14.5(e).

15. Drillsearch Options and Performance Rights

15.1 Drillsearch Options

- (a) Drillsearch shall procure that, by no later than 5.00pm on the day which is five Business Days before the date of the Scheme Meeting, all Drillsearch Optionholders have executed legally binding Option Cancellation Deeds.
- (b) Drillsearch must:
 - (i) use its reasonable endeavours to obtain from ASX a waiver of Listing Rule 6.23.2 to enable all the Drillsearch Options to be cancelled for consideration without obtaining approval from Drillsearch Shareholders as soon as reasonably practicable after this agreement (and in any event, no later than 5.00pm on the Business Day immediately before the Second Court Date); and
 - (ii) consult with Beach and provide copies of any correspondence with ASX (including any proposed communications with ASX) with respect to any steps taken by Drillsearch in accordance with clause 15.1(b)(i).

15.2 Drillsearch Performance Rights

If the Court makes an order under section 411(1) of the Corporations Act directing Drillsearch to convene the Scheme Meeting, Drillsearch must:

- (a) procure that the Drillsearch Board resolves that, subject only to the requisite majorities of Drillsearch Shareholders approving the Scheme at the Scheme Meeting:
 - (i) all Drillsearch Performance Rights will vest;
 - (ii) all Drillsearch Shares to be issued by virtue of the vesting of Drillsearch Performance Rights referred to in paragraph (i) above are issued to the relevant Drillsearch Performance Rights Holders,by no later than the Business Day immediately before the Second Court Date;
- (b) give a written notice to each Drillsearch Performance Rights Holder pursuant to the Drillsearch Performance Rights Plan Rules of the resolutions passed by the Drillsearch Board in accordance with clause 15.2(a); and
- (c) take all actions necessary to ensure that any Drillsearch Performance Rights that remain outstanding as at the Record Date for any reason lapse or are otherwise cancelled.

16. Notices

Any communication under or in connection with this agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

Drillsearch

Address: Level 18, 321 Kent Street, Sydney NSW 2000
Facsimile: +61 2 9249 9630
For the attention of: Company Secretary

Beach

Address: 25 Conyngham Street, Glenside SA 5065
Facsimile: +61 8 8338 2336
For the attention of: Company Secretary

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 16(b); and
- (e) will be deemed to be received by the addressee:
 - (i) **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) **(in the case of fax)** at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
 - (iii) **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 16(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

17. General

17.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this agreement.

17.2 Timetable

- (a) The parties agree that the Timetable is indicative only and is not binding on the parties.
- (b) Each party must use its reasonable endeavours to ensure that each step in the Timetable is met by the relevant date and must consult with the other party on a regular basis regarding its progress in implementing the Scheme in regards to the Timetable.

17.3 Payments

Unless otherwise expressly provided in this agreement, where an amount is required to be paid to a party (the **Receiving Party**) by another party under this agreement, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

17.4 Interest

- (a) If a party fails to pay any amount payable under this agreement on the due date for payment, that party must pay interest on the amount unpaid at the higher of the Interest Rate plus 3% per annum or the rate (if any) fixed or payable under any judgment or other thing into which the liability to pay the amount becomes merged.
- (b) The interest payable under clause 17.4(a):
 - (i) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
 - (ii) may be capitalised by the person to whom it is payable at monthly intervals.

17.5 Consents or approvals

A party may:

- (a) give conditionally or unconditionally; or
- (b) withhold,

its approval or consent in its absolute discretion unless this agreement expressly provides otherwise.

17.6 GST

- (a) Any reference in this clause 17.6 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that act.
- (b) Unless expressly included, the consideration for any supply under or in connection with this agreement does not include GST.
- (c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this agreement is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this agreement but for the application of this clause 17.6(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.

This clause 17.6(c) does not apply to any taxable supply under or in connection with this agreement that is expressly stated to include GST.

- (d) The amount on account of GST payable in accordance with this clause 17.6 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.
- (e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.

17.7 Stamp duty

Beach must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this agreement or the Scheme or the steps to be taken under this agreement or the Scheme (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme).

17.8 Expenses

Except as otherwise provided in this agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this agreement and the Explanatory Booklet and the proposed, attempted or actual implementation of this agreement and the Scheme.

17.9 Amendments

This agreement may only be varied by a document signed by or on behalf of each of the parties.

17.10 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of each other party, which consent that other party may give or withhold in its absolute discretion.

17.11 Business Day

Except where otherwise expressly provided, where under this agreement the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

17.12 Waiver

Without limiting any other provisions of this agreement, the parties agree that:

- (a) failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this agreement;
- (b) any waiver or consent given by any party under this agreement will only be effective and binding on that party if it is given or confirmed in writing by that party;
- (c) no waiver of a breach of any term of this agreement will operate as a waiver of another breach of that term or of a breach of any other term of this agreement; and
- (d) nothing in this agreement obliges a party to exercise a right to waive any conditional term of this agreement that may be in its power.

17.13 Release of officers and directors

- (a) Subject to the Corporations Act, none of the past, present or future officers and directors of Drillsearch will be liable for anything done or purported to be done in connection with

the Scheme or any transaction contemplated by this agreement in good faith, but nothing in this clause excludes any liability that may arise from wilful misconduct or bad faith on the part of such a person. Drillsearch receives and holds the benefit of this release, as agent for its directors and officers.

- (b) Subject to the Corporations Act, none of the past, present or future officers and directors of Beach will be liable for anything done or purported to be done in connection with the Scheme or any transaction contemplated by this agreement in good faith, but nothing in this clause excludes any liability that may arise from wilful misconduct or bad faith on the part of such a person. Beach receives and holds the benefit of this release, as agent for its directors and officers.

17.14 Counterparts

- (a) This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.
- (b) This agreement is binding on the parties on the exchange of duly executed counterparts.
- (c) The parties agree that a copy of an original executed counterpart sent by electronic mail or facsimile machine to the e-mail address or facsimile number of the other party specified in clause 16, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

17.15 Entire agreement

This agreement:

- (a) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and
- (b) supersedes any prior agreement (whether or not in writing) between the parties.

17.16 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.

17.17 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this agreement.

17.18 Governing law

- (a) This agreement is governed by and will be construed according to the laws of New South Wales.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of New South Wales and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 17.18(b)(i).

Schedule 1 – Indicative Timetable

Event	Date
Enter into Merger Implementation Agreement	Mid October 2015
Lodge Explanatory Booklet with ASIC for review and comment	16 November 2015
Beach Meeting Materials provided to ASX for review and comment	Late November
Cut-off Date	30 November 2015
First Court Date	Early December 2015
Explanatory Booklet registered with ASIC	Early December 2015
Despatch Beach Meeting Materials for the Beach Shareholder Meeting to Beach Shareholders	Early December 2015
Despatch Explanatory Booklet to Drillsearch Shareholders	Mid December 2015
Beach Shareholder Meeting	At least 2 Business Days prior to the date of the Scheme Meeting
Scheme Meeting	Late January 2016
Second Court Date	Mid February 2016
Effective Date – lodge office copy of Court order approving the Scheme with ASIC	Mid February 2016
Record Date	Late February 2016
Implementation Date: Issue and allot Beach Shares to participants in the Scheme. Reconstitute boards of each Drillsearch Group Member	Late February 2016

Schedule 2 – Deed Poll

Deed poll

Date

Parties

Name	Beach Energy Limited
ABN/ACN	20 007 617 969
Short form name	Beach
Notice details	25 Conyngham Street, Glenside SA 5065

in favour of each holder of fully paid ordinary shares in Drillsearch Energy Limited (ABN 73 006 474 844) (**Drillsearch**) as at the Record Date.

Background

- A Beach and Drillsearch have entered into the Merger Implementation Agreement.
- B In the Merger Implementation Agreement, Beach agreed to enter into this deed poll.
- C Beach is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform their obligations under the Scheme and ensure that the Scheme Consideration is paid to Scheme Shareholders.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed poll:

Merger Implementation Agreement means the Merger Implementation Agreement entered into between Beach and Drillsearch dated [●] October 2015.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Beach and Drillsearch.

Unless the context otherwise requires, terms defined in the Merger Implementation Agreement or the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1.2 of the Merger Implementation Agreement applies to the interpretation of this deed poll, except that references to 'Merger Implementation Agreement' or 'Deed' are to be read as references to 'deed poll'.

1.3 Nature of deed poll

Beach acknowledges that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

2. Conditions to obligations

- (a) The obligations of Beach under this deed poll are subject to the Scheme becoming Effective.
- (b) The obligations of Beach under this deed poll to Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no further force or effect if:
 - (i) the Merger Implementation Agreement is terminated in accordance with its terms; or
 - (ii) the Scheme is not Effective by the End Date.
- (c) If this deed poll is terminated under clause 2(b), in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) Beach is released from its obligations to further perform this deed poll except those obligations under clause 6.2; and
 - (ii) each Scheme Shareholder retain any rights they have against Beach in respect of any breach of this deed poll which occurred before it was terminated.

3. Consideration under the Scheme

3.1 Undertaking to issue and pay the Scheme Consideration

Subject to clause 2, in consideration of the transfer of each Scheme Share to Beach in accordance with the Scheme, Beach covenants in favour of each Scheme Shareholder to:

- (a) provide the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and

- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the Scheme.

3.2 Official quotation

Subject to clause 2, Beach will use its best endeavours to procure that the New Beach Shares issued pursuant to the Scheme are approved for official quotation on ASX and that trading in the New Beach Shares commences by the first Business Day after the Implementation Date, initially on a deferred basis and thereafter on a normal T + 3 settlement basis.

4. Warranties

Beach represents and warrants to each Scheme Shareholder in respect of itself, that:

- (a) it is a public company validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) each New Beach Share will:
 - (i) rank equally with all existing Beach Shares; and
 - (ii) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and
- (e) this deed poll has been duly and validly executed and delivered by it and is valid and binding on it; and
- (f) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law, judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Beach has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2(b).

6. General

6.1 Notices

Any notice under this deed poll to Beach:

- (a) must be in legible writing;
- (b) must be in English; and

- (c) must be addressed as shown below:
- (i) Beach Energy Limited
25 Conyngham Street,
Glenside SA 5065
Attention: Catherine Oster
email: cathy.oster@beachenergy.com.au
- Copy to: Minter Ellison
Governor Macquarie Tower, 1 Farrer Place
Sydney NSW 2000
Australia
Attention: Ron Forster
email: ron.forster@minterellison.com
- (d) must be delivered or sent by email to the email address, of the addressee, in accordance with clause 6.1(c); and
- (e) is regarded as received by the addressee:
- (i) if emailed, when a delivery confirmation report is received by the sender which records the time that the email was delivered to the addressee's email address (unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee), unless it is not a Business Day in the place of receipt, or is after 5.00pm on a Business Day in the place of receipt, when that communication will be regarded as received at 9.00am on the next Business Day in the place of receipt; and
- (ii) if delivered by hand, on delivery at the address of the addressee as provided in this clause, unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day.

6.2 Stamp duty

Beach will:

- (a) be responsible for its own costs arising out of negotiation, preparation and execution of this deed poll; and
- (b) pay all duty (including stamp duty) and any related fines, penalties and interest in respect of the Scheme and this deed poll (including without limitation the acquisition or transfer of the Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll and indemnify each Scheme Shareholder against any liability arising from failure to comply with this clause 6.2(b).

6.3 Governing law and jurisdiction

- (a) This deed poll is governed by the laws of New South Wales.
- (b) Beach irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts. Beach irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

6.4 Waiver

Beach may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

6.5 Variation

A provision of this deed poll may not be varied or amended unless:

- (a) the variation or amendment is agreed to by Drillsearch in writing (which such agreement may be given or withheld without reference to or approval by any Drillsearch Shareholder);
- (b) Beach enters into a further deed poll in favour of the Scheme Shareholders giving effect to the variation or amendment; and
- (c) if the variation or amendment is to be made on or after the First Court Date, with the approval of the Court and the Court indicates that the variation or amendment would not of itself preclude the Court approving the Scheme.

6.6 Cumulative rights

The rights, powers and remedies of Beach and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

6.7 Assignment

- (a) The rights and obligations of Beach and each Scheme Shareholder under this deed poll are personal to Beach and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Beach and Drillsearch.
- (b) Any purported dealing in contravention of clause 6.7(a) is invalid.

6.8 Further action

Beach must, at its own expense, do all things and execute all documents necessary to give effect to this deed poll and the transactions contemplated by it.

Signing page

EXECUTED as a deed poll.

Executed by Beach Energy Limited ACN
007 617 969 in accordance with Section 127
of the *Corporations Act 2001*

Signature of director



Signature of director/company secretary
(Please delete as applicable)



Name of director (print)

Name of director/company secretary (print)

Schedule 3 – Scheme

Scheme of arrangement

This scheme of arrangement is made under section 411 of the Corporations Act 2001 (Cth).

Parties

Name	Drillsearch Energy Limited
ABN/ACN	006 474 844
Short form name	Drillsearch
Notice details	Level 18, 321 Kent Street, Sydney NSW 2000 Facsimile: +61 2 9249 9630 Attention: Company Secretary

Name	The holders of fully paid ordinary shares in Drillsearch recorded in the Drillsearch Share Register as at the Record Date
Short form name	Scheme Shareholders

1. Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

Beach means Beach Energy Limited (ACN 007 617 969).

Beach Group means Beach and its Subsidiaries.

Beach Register means the register of holders of Beach Shares maintained by Beach under section 168(1) of the Corporations Act.

Beach Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Beach Share means a fully paid ordinary share in the capital of Beach.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, Australia and on which the ASX and is open for trading.

CHESS means the clearing house electronic sub register system of share transfers operated by ASX Settlement.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed to in writing by Beach and Drillsearch.

Drillsearch Convertible Note means an interest bearing note granted under Drillsearch's offering circular and supplemental offering circular plan which has a right to be converted to a Drillsearch Share subject to the terms of the offering circular and supplemental offering circular.

Drillsearch Option means an option granted by Drillsearch to acquire by way of issue or transfer one or more Drillsearch Shares.

Drillsearch Performance Right means a right granted under Drillsearch's executive performance rights plan to acquire by way of issue or transfer a Drillsearch Share subject to the terms of such plan.

Drillsearch Register means the register of holders of Drillsearch Shares maintained by Drillsearch under section 168(1) of the Corporations Act.

Drillsearch Registry means Link Market Services Limited (ACN 083 214 537).

Drillsearch Share means a fully paid ordinary share in Drillsearch.

Drillsearch Shareholder means a person who is recorded in the Drillsearch Register as the holder of one or more Drillsearch Shares.

Deed Poll means the deed poll dated [●] 2015 under which Beach covenants in favour of the Scheme Shareholders to perform their obligations under the Scheme.

Effective means when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date has the meaning given in the Merger Implementation Agreement.

Excluded Shareholder means any Drillsearch Shareholder who is Beach or a Related Body Corporate of Beach.

Explanatory Booklet has the meaning given in the Merger Implementation Agreement.

Foreign Nominee means [insert name of foreign nominee appointed in accordance with the Merger Implementation Agreement], appointed to sell the New Beach Shares that are to be issued under clause 4.5(a) of this Scheme.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

Implementation Date means the fifth Business Day, or such other Business Day as the parties agree, following the Record Date for the Scheme.

Ineligible Foreign Shareholder means a Drillsearch Shareholder whose address as shown in Drillsearch's members' register is located outside of:

- (a) Australia and its external territories;
- (b) New Zealand;
- (c) Hong Kong;
- (d) Singapore; or
- (e) Malaysia,

unless Beach is otherwise satisfied that it is permitted to allot and issue New Beach Shares to that Drillsearch Shareholder pursuant to the Scheme by the laws of that place.

Merger Implementation Agreement means the Merger Implementation Agreement dated [●] October 2015 between Beach and Drillsearch relating to the implementation of the Scheme.

New Beach Share means a new Beach Share to be issued under the Scheme.

Record Date means 7.00pm on the fifth Business Day (or such other Business Day as Beach and Drillsearch agree in writing or as may be required by ASX and, if necessary, approved by the Court) following the Effective Date.

Registered Address means the address of the Scheme Shareholder as it appears in the Drillsearch Register as at the Record Date.

Related Body Corporate of a person means a related body corporate of that person under section 50 of the Corporations Act.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Beach and Drillsearch.

Scheme Consideration means such number of New Beach Shares issued in consideration for the transfer to Beach of each Scheme Share, as determined in accordance with clause 4.3.

Scheme Meeting means the meeting of Drillsearch Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Drillsearch Share on issue as at the Record Date other than any Drillsearch Share then held by an Excluded Shareholder (but including any such Drillsearch Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

1.2 Interpretation

In this Scheme, except where the context requires otherwise:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Sydney, Australia time;
- (g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;

- (k) the meaning of general words is not limited by specific examples introduced by **including** or similar expressions; and
- (l) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it.

2. Preliminary matters

2.1 Drillsearch

Drillsearch is a public company registered in Victoria, Australia.

2.2 Drillsearch securities on issue

As at [●]:

- (a) [462,254,673] Drillsearch Shares were on issue;
- (b) [3,590,933] Drillsearch Options;
- (c) [5,059,909] Drillsearch Performance Rights were on issue (which, under the terms of their issue, would vest upon Drillsearch giving the holders of those rights notice of [●]); and
- (d) [1,250] Drillsearch Convertible Notes.

2.3 Beach

Beach is a public company registered in South Australia, Australia.

2.4 Scheme

- (a) If the Scheme becomes Effective:
 - (i) Beach will provide the Scheme Consideration to Scheme Shareholders in accordance with the Scheme, and the Deed Poll; and
 - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Beach and Drillsearch will enter the name of Beach in the Drillsearch Register in respect of the Scheme Shares.
- (b) Beach and Drillsearch have agreed, by executing the Merger Implementation Agreement, to implement the Scheme.
- (c) Beach has agreed, by executing the Deed Poll, to perform their obligations under this Scheme and the Merger Implementation Agreement, including the obligation to provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.

3. Conditions to the Scheme

- (a) This Scheme is conditional on:
 - (i) all the conditions in clause 3.1 of the Merger Implementation Agreement (other than the conditions in clause 3.1(e) and 3.1(f) of the Merger Implementation Agreement relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Merger Implementation Agreement by 8.00am on the Second Court Date;
 - (ii) subject to clause 8.1, such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme have been satisfied or waived;
 - (iii) approval of this Scheme by the Court pursuant to section 411(4)(b) of the Corporations Act either unconditionally or on conditions consented to by Beach and Drillsearch in accordance with clause 8.1;

- (iv) the Merger Implementation Agreement not having been terminated by either party to that agreement before 8.00am on the Second Court Date; and
 - (v) the orders of the Court under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act.
- (b) The satisfaction or waiver of the conditions precedent in clause 3(a) is a condition precedent to the operation of clause 4.
 - (c) The Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date or any later date Beach and Drillsearch agree in writing.
 - (d) Drillsearch and Beach will each provide to the Court at the Second Court Date:
 - (i) such certificates confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clause 3.1 of the Merger Implementation Agreement have been satisfied or waived as at 8.00am on the Second Court Date in accordance with clause 3.5 of the Merger Implementation Agreement; and
 - (ii) a certificate confirming (in respect of matters within their knowledge) whether or not the conditions precedent in this Scheme (other than the conditions in clause 3.1(e) and 3.1(f) of the Merger Implementation Agreement relating to Court approval of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

Such certificates constitute conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4. Implementation of the Scheme

4.1 Lodgement of Court orders

Drillsearch will lodge with ASIC office copies of the Court orders under section 411(10) of the Corporations Act approving the Scheme by 5.00pm on the first Business Day after the day on which the Court approves the Scheme, or such later date as Beach and Drillsearch agree.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by this clause 4, all of the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Beach, without the need for any further act by any Scheme Shareholder, by:
 - (i) Drillsearch effecting a valid transfer or transfer of the Scheme Shares to Beach under section 1074D of the Corporations Act; or
 - (ii) if the procedure in clause 4.2(a)(i) is not available for any reason:
 - (A) Drillsearch delivering to Beach duly completed and executed share transfer forms (or a master share transfer form), duly executed on behalf of the Scheme Shareholders by Drillsearch or any of its directors and officers as attorney for each Scheme Shareholder as authorised under clause 8.5, to transfer all the Scheme Shares to Beach; and
 - (B) Beach duly executing the share transfer forms (or master share transfer form), attending to the stamping of the share transfer forms (or master share transfer form) (if required) and delivering the share transfer forms (or master share transfer form) to Drillsearch for registration; and

- (b) immediately after receipt of the share transfer forms (or master share transfer form) in accordance with clause 4.2(a)(ii) or the transfer being effected under section 1074D of the Corporations Act (as the case may be), Drillsearch must enter, or procure the entry of, the name of Beach in the Drillsearch Register in respect of all the Scheme Shares.

4.3 Scheme Consideration

Beach will on the Implementation Date:

- (a) issue to each Scheme Shareholder (other than Ineligible Foreign Shareholders) 1.25 New Beach Shares for each of the Scheme Shares held by the Scheme Shareholder, in accordance with and subject to the terms of this Scheme; and
- (b) issue to the Foreign Nominee 1.25 New Beach Shares for each of the Scheme Shares held by the Ineligible Foreign Shareholders, and that would have otherwise been issued to the Ineligible Foreign Shareholder, in accordance with clause 4.5 below.

4.4 Fractional entitlements

- (a) Where the calculation of the aggregate number of New Beach Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a Beach Share, the number will be rounded:
 - (i) if the fractional entitlement is less than 0.5 - down to the nearest whole number of New Beach Shares; and
 - (ii) otherwise – up to the nearest whole number of New Beach Shares.
- (b) If Beach or Drillsearch are of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Drillsearch Shares which results in a rounding under this clause 4.4, have, before the Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to such rounding, Beach and Drillsearch may give notice before the Implementation Date to those Scheme Shareholders:
 - (i) setting out the names and registered addresses of all of them;
 - (ii) stating that opinion; and
 - (iii) attributing to one of them specifically identified in the notice the Drillsearch Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Scheme, be taken to hold all those Drillsearch Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of the Scheme, be taken to hold no Drillsearch Shares.

4.5 Ineligible Foreign Shareholders

- (a) Beach has no obligation under this Scheme to issue New Beach Shares to an Ineligible Foreign Shareholder under the Scheme, and instead:
 - (i) Beach must issue the New Beach Shares attributable to, and which would otherwise be required to be provided to the Ineligible Foreign Shareholder under the Scheme to the Foreign Nominee;
 - (ii) Beach will procure that as soon as reasonably practicable and in any event no more than 15 Business Days after the Implementation Date (unless an extension is agreed to in writing by Drillsearch prior to the Effective Date), the Foreign Nominee to sell those New Beach Shares on-market in such a manner, at such price and on such other terms as the Foreign Nominee determines in good faith (and at the risk of the Ineligible Foreign Shareholders) (**Proceeds**);

- (iii) promptly after the last sale of those New Beach Shares, Beach will procure that the Foreign Nominee pays the net proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs and taxes) to Beach; and
- (iv) as soon as reasonably practicable and in any event no more than 5 Business Days after the remittance to Beach in accordance with clause 4.5(a)(iii), Beach will pay each Ineligible Foreign Shareholder the amount calculated in accordance with the following formula and rounded up or down to the nearest whole cent:

$$A=(B/C) \times D$$

where

A is the amount to be paid to the Ineligible Foreign Shareholder (**Ineligible Foreign Shareholder Amount**);

B is the number of New Beach Shares attributable to, and that would otherwise have been issued to, that Ineligible Foreign Shareholder had it not been a Ineligible Foreign Shareholder and which are instead issued to the Foreign Nominee;

C is the total number of New Beach Shares attributable to, and which would otherwise have been issued to, all Ineligible Foreign Shareholders collectively and which are instead issued to the Foreign Nominee; and

D is the net proceeds of sale received by Beach pursuant to clause 4.5(a)(iii).

- (b) The Ineligible Foreign Shareholder Amount may be paid by Beach doing any of the following:
 - (i) sending by pre-paid post (or pre-paid airmail if the address is outside Australia) to the Ineligible Foreign Shareholder's Registered Address a pre-printed cheque for the Ineligible Foreign Shareholder Amount (denominated in Australian dollars) in the name of that Ineligible Foreign Shareholder; or
 - (ii) depositing or procuring the Beach Registry deposit the Ineligible Foreign Shareholder Amount (denominated in Australian dollars) into the account with any Australia bank notified by that Ineligible Foreign Shareholder to Drillsearch (or Drillsearch's agent who manages the Drillsearch Register) by an appropriate authority from the Ineligible Foreign Shareholder.
- (c) In the event that the Foreign Nominee believes, after consultation with the Drillsearch Registry, that an Ineligible Foreign Shareholder is not known at its Registered Address (including as a result of any pre-printed cheque sent to an Ineligible Foreign Shareholder in accordance with clause 4.5(b)(i) being returned to sender) and no account has been notified in accordance with clause 4.5(b)(ii) or a deposit into such account in accordance with clause 4.5(b)(ii) is rejected or refunded, Beach may credit the amount payable to that Ineligible Foreign Shareholder to a separate bank account of Beach to be held until the Ineligible Foreign Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation, and Beach must hold the amount in trust but any amount accruing from the amount will be to the benefit of Beach. An amount credited to the account is to be treated as having been paid to the Ineligible Foreign Shareholder. Beach must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (d) Payment by the Foreign Nominee to an Ineligible Foreign Shareholder in accordance with this clause 4.5 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

- (e) None of Beach, Drillsearch or the Foreign Nominee gives any assurance as to the price that will be achieved for the sale of New Beach Shares described in this clause 4.5, and the sale of the New Beach Shares under this clause 4.5 will be at the risk of the Ineligible Foreign Shareholder.
- (f) Each Ineligible Foreign Shareholder appoints Drillsearch, and each director and officer of Drillsearch, as its agent to receive on its behalf any financial services guide or other notice which may be given by the Foreign Nominee to Ineligible Foreign Shareholder for or in connection with its appointment or sales.

4.6 Shares to rank equally

Beach covenants in favour of Drillsearch (in its own right and on behalf of the Scheme Shareholders) that:

- (a) the New Beach Shares to be issued under the Scheme will rank equally in all respects with all existing Beach Shares; and
- (b) on issue each such New Beach Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4.7 Provision of Scheme Consideration

Subject to the other provisions of this clause 4, the obligation of Beach to provide or procure the provision of the Scheme Consideration to Scheme Shareholders will be satisfied by Beach procuring that:

- (a) the name and address of each such Scheme Shareholder is entered into the Beach Register on the Implementation Date in respect of the New Beach Shares to which it is entitled under this clause 4; and
- (b) a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each such Scheme Shareholder representing the number of New Beach Shares issued to the Scheme Shareholder pursuant to this Scheme as soon as practicable after the Implementation Date.

4.8 Orders of a court or Government Agency

- (a) Beach may deduct and withhold from any consideration which would otherwise be payable to a Scheme Shareholder by Beach in accordance with this clause 4, any amount which Beach reasonably determines in good faith and after having received appropriate advice is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency.
- (b) To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing agency.
- (c) If written notice is given to Beach of an order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency that:
 - (i) requires that any consideration which would otherwise be payable or required to be issued to a Scheme Shareholder by Beach in accordance with this clause 4 must instead be paid or provided to a Government Agency or other third party, then Beach will be entitled to pay or provide that consideration in accordance with that order, direction or notice (and payment or provision of that consideration in accordance with that order, direction or notice will be treated for all purposes under this Scheme as having been paid or provided to that Scheme Shareholder);
 - or

- (ii) prevents Beach from providing consideration to any particular Scheme Shareholder in accordance with this clause 4, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Beach shall be entitled to retain that consideration until such time as provision of the consideration in accordance with this clause 4 is permitted by that order or direction or otherwise by law.

4.9 Joint holders

In the case of joint holders of Scheme Shares:

- (a) the New Beach Shares to be issued under this Scheme will be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Drillsearch Register as at the Record Date; and
- (c) any other document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Drillsearch Register as at the Record Date.

5. Issue and trading

- (a) The Scheme Shareholders to be issued New Beach Shares each agree for all purposes to become a member of Beach (without the need for any further act on its part) and to be bound by Beach's constitution.
- (b) Each Scheme Shareholder to be issued New Beach Shares shall be deemed to have irrevocably appointed Beach and each of its directors and officers (jointly and severally) as its attorneys for the purpose of executing any form of application, letter of transmittal or other instruments or documents required for the New Beach Shares.

6. Dealings in Drillsearch Shares

- (a) Each Scheme Shareholder will be entitled to participate in this Scheme on the terms and conditions of the Scheme.
- (b) To establish the identity of the Scheme Shareholders, dealings in Drillsearch Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Drillsearch Register as the holder of the relevant Drillsearch Shares by the Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Drillsearch Register is kept.
- (c) Drillsearch must register registrable transmission applications or transfers of the kind referred to in clause 6(b)(ii) by the Record Date (provided that, for the avoidance of doubt, nothing in this clause 6(c) requires Drillsearch to register a transfer that would result in a Drillsearch Shareholder holding a parcel of Drillsearch Shares that is less than a 'marketable parcel' (as defined in the Market Rules of the ASX)).
- (d) If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.
- (e) Drillsearch will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Drillsearch Shares received after the Record Date.

- (f) For the purpose of determining entitlements to the Scheme Consideration, Drillsearch must maintain the Drillsearch Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been paid to the Scheme Shareholders. The Drillsearch Register in this form will solely determine entitlements to the Scheme Consideration.
- (g) All statements of holding for Drillsearch Shares will cease to have effect from the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Drillsearch Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Drillsearch Shares relating to that entry.
- (h) As soon as possible on or after the Record Date, and in any event within one Business Day after the Record Date, Drillsearch will ensure that details of:
 - (i) the names, registered addresses and holdings of Drillsearch Shares for each Scheme Shareholder as shown in the Drillsearch Register on the Record Date; and
 - (ii) the names, registered addresses and holdings of each Ineligible Foreign Shareholder as shown in the Drillsearch Register on the Record Date,
 are made available to Beach in the form that Beach reasonably requires.

7. Quotation of Drillsearch Shares

- (a) Drillsearch will apply to the ASX to suspend trading on the ASX in Drillsearch Shares from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Beach, Drillsearch will apply:
 - (i) for termination of the official quotation of Drillsearch Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8. General provisions

8.1 Consent to amendments to the Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Drillsearch may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Beach has consented. For the avoidance of doubt, Drillsearch must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Beach.

8.2 Scheme Shareholders' agreements and warranties

- (a) On this Scheme becoming Effective, each Scheme Shareholder:
 - (i) agrees to the transfer of their Drillsearch Shares in accordance with the Scheme and agrees to the variation, cancellation or modification of the rights attached to their Drillsearch Shares constituted by or resulting from the Scheme; and
 - (ii) acknowledges that the Scheme binds all Scheme Shareholders.
- (b) Each Scheme Shareholder is taken to have warranted to Drillsearch and Beach, and appointed and authorised Drillsearch as its attorney and agent to warrant to Beach, that all of their Drillsearch Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)),

liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Drillsearch Shares to Beach together with any rights attaching to those shares.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Drillsearch Shares transferred under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- (b) On this Scheme becoming Effective, Beach will be beneficially entitled to the Drillsearch Shares transferred to it under the Scheme pending registration by Drillsearch of Beach in the Drillsearch Share Register as the holder of the Drillsearch Shares.

8.4 Appointment of sole proxy

Upon the Scheme becoming Effective, and until Drillsearch registers Beach as the holder of all Scheme Shares in the Drillsearch Register, each Scheme Shareholder:

- (a) is deemed to have appointed Beach as attorney and agent (and directed Beach in each such capacity) to appoint any director, officer, secretary or agent nominated by Beach as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings of Drillsearch, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution of Drillsearch, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 8.4(a));
- (b) must take all other actions in the capacity of a registered holder of Scheme Shares as Beach reasonably directs; and
- (c) acknowledges and agrees that in exercising the powers referred in clause 8.4(a), Beach and any director, officer, secretary or agent nominated by Beach under clause 8.4(a) may act in the best interest of Beach as the intended registered holder of the Scheme Shares.

8.5 Authority given to Drillsearch

- (a) Scheme Shareholders will be deemed to have authorised Drillsearch, and all its directors, officers and secretaries, to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement the Scheme, including (without limitation) executing, as agent and attorney of each Scheme Shareholder, a share transfer form (or a master share transfer form) in relation to Scheme Shares as contemplated by clause 8.5(b).
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Drillsearch and all of its directors, officers and secretaries (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to the Scheme including without limitation, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares.

9. General

9.1 Stamp duty

Beach will pay all stamp duty payable in connection with the transfer of Drillsearch Shares to Beach.

9.2 Consent

The Scheme Shareholders consent to Drillsearch and Beach doing all things necessary or incidental to the implementation of the Scheme.

9.3 Notices

If a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Drillsearch, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Drillsearch registered office or at the office of the Drillsearch Registrar.

9.4 Inconsistencies

This Scheme binds Drillsearch and all Drillsearch Shareholders, and to the extent of any inconsistency, overrides the Drillsearch constitution.

9.5 No liability when acting in good faith

None of Beach, Drillsearch nor any director, officer, secretary or employee of them will be liable to any person for anything done or omitted to be done in good faith in the performance of this Scheme or the Deed Poll.

9.6 Governing law

- (a) The Scheme is governed by the laws in force in New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.7 Further action

Drillsearch and each Scheme Shareholder must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

Schedule 4 – Agreed Public Announcement



RECOMMENDED MERGER OF BEACH AND DRILLSEARCH

Positioning for future growth through a logical combination

- **Combination of Beach and Drillsearch to be implemented via a scheme of arrangement**
- **Drillsearch shareholders to receive 1.25 Beach shares for every Drillsearch share held**
- **Premium for Drillsearch shareholders of 30%¹ based on the 3-month VWAP for each of Beach and Drillsearch**
- **Significant benefits for both sets of shareholders**
- **Creates the leading mid-cap oil and gas company on the ASX, with a market capitalisation of approximately \$1,169 million²**
- **Logical combination of two complementary businesses**
- **Combined entity primed for growth**
- **Estimated pre-tax synergies and cost savings of ~\$20 million per annum³**

Beach Energy Limited (**Beach**) (ASX: (BPT)) and Drillsearch Energy Limited (**Drillsearch**) (ASX: (DLS)) are pleased to announce that they have entered into a binding Merger Implementation Agreement that will create the leading mid-cap ASX oil and gas company through an all-scrip merger.

Under the terms of the agreement, Beach has agreed to acquire all of the shares in Drillsearch that it does not already own⁴ via a Scheme of Arrangement (**the Scheme**). Drillsearch shareholders will receive 1.25 Beach shares for each Drillsearch share held.

The merger will create a company of enhanced scale that is positioned for future growth, with combined FY2015 production of 12.1 MMboe⁵ and an expanded portfolio of oil, gas and infrastructure assets. The Boards of both Drillsearch and Beach believe this is a logical combination of two complementary, overlapping businesses, with the opportunity to generate significant value for shareholders of both companies.

The Directors of Drillsearch unanimously recommend that all Drillsearch shareholders vote in favour of the Scheme and they intend to vote the Drillsearch shares that they control in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert finding that the Scheme is in the best interests of Drillsearch shareholders.

Transaction summary

Based on the 1.25 exchange ratio, the consideration to be offered to Drillsearch shareholders values Drillsearch at a price of \$0.83 per share and a market capitalisation of \$384 million.⁶ This represents an attractive premium⁷ of:

- 27%⁸ to the closing price of Drillsearch shares on the ASX on 22 October 2015 of \$0.655 per share;

¹ Based on the VWAP of Beach shares of \$0.65 per share over the 3-month period up to and including 22 October 2015

² Based on the combined market capitalisations of Drillsearch and Beach at closing share prices on 22 October 2015

³ Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a. as announced by Drillsearch on 19 February 2015

⁴ Beach currently owns ~4.56% of Drillsearch's total issued share capital

⁵ Based on 2015 Full Year Reports, including Appendix 4E, Directors' Report and Financial Statements

⁶ Based on the closing price of Beach shares on ASX on 22 October 2015, being the last trading day prior to this announcement

⁷ The ratio of 1.25 Beach shares per Drillsearch share under the Scheme consideration is a fixed ratio and therefore, the implied value per Drillsearch share will vary as the market price of Beach shares varies

⁸ Based on the closing price of Beach shares of \$0.665 on ASX on 22 October 2015

- 21%⁹ to Drillsearch's 1-month volume weighted average price (VWAP) of \$0.58 per share up to and including 22 October 2015; and
- 30%¹⁰ to Drillsearch's 3-month VWAP of \$0.63 per share up to and including 22 October 2015.

If the Scheme is implemented, Drillsearch shareholders will own approximately 30% of the total issued share capital of the combined group.¹¹ It is intended that Drillsearch's US\$125 million of outstanding convertible notes will be redeemed in accordance with their terms from a combination of cash on hand and available debt facilities shortly after the implementation of the Scheme.

The transaction is subject to the approval of Drillsearch shareholders at a shareholder meeting expected to occur in late January 2016, as well as Court approval and other conditions.

As a consequence of Seven Group Holdings Limited and its subsidiaries (**Seven**) holding a substantial interest in both Beach and Drillsearch, ASX Listing Rule 10.1 may require approval from Beach shareholders (by a 50% resolution) in respect of Beach's acquisition of Seven's Drillsearch shares (**Substantial Shareholder Acquisition**). Beach is in discussions with the ASX regarding a waiver to Listing Rule 10.1, which (if granted) would remove the need for Beach shareholder approval.

The Directors of Beach unanimously recommend that all Beach shareholders vote in favour of the Substantial Shareholder Acquisition and they intend to vote the Beach shares that they control in favour of the Substantial Shareholder Acquisition, in the absence of a superior proposal and subject to the opinion of an independent expert regarding the Substantial Shareholder Acquisition.

Transaction rationale and benefits to shareholders

The combination of Drillsearch and Beach is based on the clear strategic rationale of unlocking value from an existing partnership whereby Beach already operates two key shared assets of the companies, being:

- The producing Western Flank Oil Fairway Joint Venture formerly known as PEL 91 (PRLs 151 to 172 and PPLs 253 to 256), including the prolific Bauer oil field; and
- The producing Western Wet Gas Joint Venture formerly known as PEL 106 (PRLs 129 and 130 and PPLs 239 and 257).

In addition, the combined group will be in a stronger position to take advantage of future growth opportunities as a result of its increased scale and balance sheet strength.

Given the overlapping interests of the two companies, the Boards of both Drillsearch and Beach believe the transaction will realise synergies and cost savings of ~\$20 million per annum (on a pre-tax basis and excluding one-off integration costs). These would be principally sourced from increased operational efficiencies and elimination of duplicated corporate and administrative functions, with the opportunity to relocate the majority of Drillsearch's corporate functions to Beach's office in Adelaide. The synergies and cost savings are targeted to be achieved within two years after implementation of the transaction.

As a shareholder in the combined group, Drillsearch and Beach shareholders would also benefit from the opportunity to participate in:

⁹ Based on the VWAP of Beach shares of \$0.56 per share over the 1-month period up to and including 22 October 2015

¹⁰ Based on the VWAP of Beach shares of \$0.65 per share over the 3-month period up to and including 22 October 2015

¹¹ Assumes all options are acquired for cash, all performance rights vest and no conversion of Convertible Notes; Beach currently holds 21,053,615 Drillsearch shares (~4.56%)

- The leading oil operator and largest oil producer in the Cooper and Eromanga basins with positions in all of the major oil producing permits of the highly successful Western Flank¹²;
- The Cooper Basin's second largest gas producer;
- Ownership interests in key infrastructure used to process hydrocarbons from the Cooper Basin region;
- Ownership of extensive gas reserves and resources well situated to supply gas markets on Australia's east coast;
- A significantly expanded knowledge base relating to the Cooper Basin; and
- Pro-forma FY2015 revenue of \$978 million, operating cash flow of \$313 million and production of 12.1 MMboe.¹³

Support from Drillsearch and Beach Boards

Commenting on the merger, Jim McKerlie, Chairman of Drillsearch said, "The combination of Drillsearch and Beach is a highly attractive and unique opportunity for Drillsearch shareholders to participate in the creation of the leading mid-cap oil and gas company on the ASX. Under the all-scrip consideration, Drillsearch shareholders will receive a premium for their shares while also gaining exposure to a company of enhanced scale and balance sheet strength that is well positioned to take advantage of growth opportunities."

Glenn Davis, Chairman of Beach said, "This is a common sense combination of two Cooper Basin businesses sharing significant core assets. The proposed merger will provide both Beach and Drillsearch shareholders exposure to a more efficient, cost effective and diverse Cooper Basin business with larger production and reserves, delivering real benefits to all shareholders."

Merger Implementation Agreement

The Scheme is subject to certain terms and conditions, which are contained in the Merger Implementation Agreement and include:

- Approval from Drillsearch shareholders¹⁴, ASIC and the Court;
- The independent expert concluding that the Scheme is in the best interests of Drillsearch shareholders;
- In the absence of receipt of a waiver from Listing Rule 10.1 by the ASX, approval of the Substantial Shareholder Acquisition by Beach shareholders; and
- No material adverse change or prescribed occurrence in relation to each company.

The parties have also agreed to certain exclusivity provisions and break fee arrangements.

Under the Scheme, the Beach Board would be reconstituted with Jim McKerlie and Phil Bainbridge from Drillsearch to be appointed as new Beach Directors and two existing Beach Directors to resign from the Beach Board. Glenn Davis would continue to serve as Chairman of the Beach Board following the successful conclusion of the merger.

A Merger Integration Group led by Beach Acting Chief Executive (Neil Gibbins) and Drillsearch Chief Executive (Walter Simpson) will commence planning for the combined group immediately. Management will be selected on a "best for job" basis, drawing on the depth and experience available within the combined management teams. The Beach Board is currently conducting a search

¹² Based on FY2015 combined group oil production of 7.2 MMbbl

¹³ Based on 2015 Full Year Reports, including Appendix 4E, Directors' Report and Financial Statements

¹⁴ By the requisite majorities of 75% of the votes cast, and 50% of the number of shareholders who vote, on the Scheme

for a new Chief Executive who will become the Chief Executive of the combined group following completion of the transaction. Drillsearch will be consulted on this appointment.

A full copy of the Merger Implementation Agreement is attached.

Timetable

Drillsearch shareholders do not need to take any action at the present time.

Full details of the Scheme, including the recommendation of the Drillsearch Directors and the Independent Expert's Report will be included in the Explanatory Booklet to be sent to Drillsearch shareholders. It is expected that the booklet will be sent to shareholders in mid December. Subsequently, Drillsearch shareholders will be asked to vote on the Scheme at a meeting expected to be held in late January 2016.

To the extent Beach shareholder approval is required in respect of the Substantial Shareholder Acquisition, a Notice of Meeting, recommendation from the Beach Directors and an Independent Expert's Report will be sent to Beach shareholders. These materials are expected to be sent to Beach shareholders in December, after which the Beach shareholder meeting would be held prior to the Scheme meeting.

Set out below is an indicative timetable for the transaction:

Event	Date
First Court Date	Early-December
Dispatch Notice of Meeting to Beach Shareholders (if required)	Early-December
Dispatch Explanatory Booklet to Drillsearch Shareholders	Mid-December
Beach Shareholder Meeting (if required)	Mid-January 2016
Scheme Meeting	Late January 2016
Second Court Date	Mid-February 2016
Effective Date	Mid-February 2016
Record Date	Late-February 2016
Implementation Date	Late-February 2016

Advisers

Beach is being advised by Macquarie Capital as financial adviser and Minter Ellison as legal adviser.

Drillsearch is being advised by Goldman Sachs and UBS as financial advisers and Ashurst as legal adviser.

ENDS



For further information, please contact:

Investors	Media
Beach Energy: +61 8 8338 2833 Neil Gibbins, Acting Chief Executive Officer Chris Jamieson, Group Executive External Affairs Derek Piper, Investor Relations Manager	Hintons: +61 3 9600 1979 Tim Duncan Angus Urquhart Beach Energy: +61 8 8338 2833 Sylvia Rapo, Public Relations Manager

Investors	Media
Drillsearch Energy: +61 2 9249 9600 Jim McKerlie, Chairman Dudley White, General Manager – Corporate Communications Natalie Barrington, Communications Manager	Cannings: +61 2 8284 9990 Nigel Kassulke



Merger of Beach and Drillsearch

Positioning for future growth through a logical combination

23 October 2015



Merger benefits

Creating the leading ASX-listed oil and gas mid-cap



Primed to pursue growth opportunities



Significant benefits for both sets of shareholders



Synergies from two complementary businesses



Australia's largest onshore oil producer



Set for East Coast gas market opportunity

Transaction summary

Structure	<ul style="list-style-type: none"> • Merger to be implemented via a Drillsearch scheme of arrangement • Drillsearch shareholders will receive 1.25 Beach shares for each Drillsearch share held
Valuation	<ul style="list-style-type: none"> • Values Drillsearch at \$0.83 per share or a market capitalisation of \$384 million <ul style="list-style-type: none"> — Premium of 27% to last closing price¹ — Premium of 21% to 1-month VWAP² — Premium of 30% to 3-month VWAP³
Combined group	<ul style="list-style-type: none"> • Drillsearch shareholders to own 30%⁴ of the combined group • Combined group market capitalisation of ~\$1,169 million¹
Board and management composition	<ul style="list-style-type: none"> • Drillsearch Chairman Jim McKerlie and Director Phil Bainbridge to join Board of combined group; two Beach Directors to step down • Glenn Davis to continue as Chairman of Beach • Beach Board conducting a search for a CEO, who will be CEO of combined group • Merger Integration Group to manage process – management team to be selected on a “best for job” basis
Key terms⁵	<ul style="list-style-type: none"> • Approval from Drillsearch shareholders • No material adverse change or prescribed occurrence in relation to each company • Certain exclusivity provisions and break fee arrangements
Shareholder approval	<ul style="list-style-type: none"> • In the absence of an ASX waiver of LR 10.1, approval from Beach shareholders • Drillsearch shareholder meeting to approve the proposed scheme expected in late January 2016

VWAP: volume weighted average price

1. Based on the closing share price of Beach (A\$0.665) and Drillsearch (A\$0.655) shares as at 22 October 2015, the day prior to announcement of the scheme
2. Based on the 1-month VWAP of Beach (A\$0.56) and Drillsearch (A\$0.58) up to and including 22 October 2015, the day prior to announcement of the scheme
3. Based on the 3-month VWAP of Beach (A\$0.65) and Drillsearch (A\$0.63) up to and including 22 October 2015, the day prior to announcement of the scheme
4. Assumes all options are acquired for cash, all performance rights vest and no conversion of Convertible Notes; Beach currently holds 21,053,615 Drillsearch shares (~4.56%)
5. Full conditions contained in the Merger Implementation Agreement, a copy of which has been released to the ASX on 23 October 2015



Pro-forma combined entity

Strong balance sheet to support future growth

- Combined market capitalisation in excess of \$1.1 billion¹
- Combined FY2016 production guidance of 10.6 – 11.8 MMboe
- Drillsearch US\$125m convertible notes to be redeemed from combined cash and available debt

	Beach	Drillsearch	MergeCo ^{3,4}
Market Capitalisation ¹ (\$m)	866	303	1,169
Cash (\$m) ² – 30 June 2015	170	131	302
Debt (\$m) ² – 30 June 2015	149	162	311
Enterprise Value (\$m)	845	333	1,178
FY2015 Revenue ² (\$m)	728	251	978
FY2015 Operating Cash Flow ² (\$m)	229	84	313
FY2015 Production ² (MMboe)	9.1	3.0	12.1
2P Reserves – 30 June 2015 (MMboe)	74.4	25.7	Refer note 6
FY2016 Production Guidance ² (MMboe)	7.8 - 8.6	2.8 - 3.2	10.6 - 11.8

Source: IRESS 22 October 2015

1. Market capitalisation based on last closing share prices as at 22 October 2015, the last trading day prior to announcement of the scheme
2. Based on 2015 Full Year Reports including Appendix 4E, Directors' Report and Financial Statements
3. No pro-forma adjustments have been made. Excludes impact of one off integration costs, synergies and acquisition accounting
4. Does not account for differences in accounting treatment and disclosures
5. Numbers may not add due to rounding
6. Drillsearch and Beach maintain separate estimates for jointly held assets. Estimates for the combined company to be decided post completion



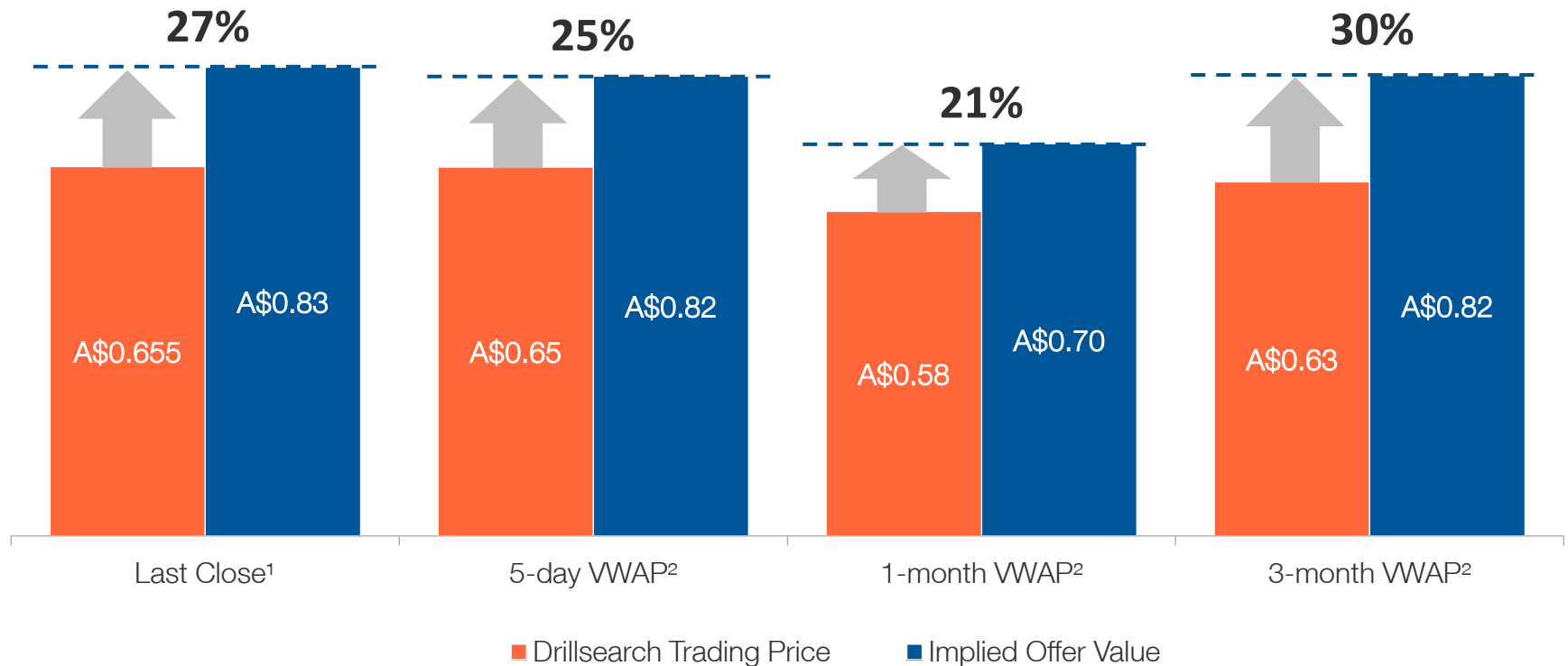
Integration plans

Ensuring a seamless transition

- Recruitment process for a Beach CEO well underway
 - Priority for the Beach Board, in consultation with Drillsearch
- Merger Integration Group formed and led by Beach Acting CEO Neil Gibbins and Drillsearch CEO Walter Simpson, to manage:
 - Internal and external communications
 - Delivering a plan for integration that takes into account:
 - Capital management strategy
 - Human resourcing requirements
 - Systems, processes and information technology
 - Familiarisation, assimilation and culture
 - Assessment of strategic opportunities arising prior to integration
 - Work on integration planning to commence immediately

Compelling premium for Drillsearch shareholders

Consideration of 1.25 Beach shares for each Drillsearch share held



Source: IRESS 22 October 2015

1. Last close of Beach and Drillsearch shares as at 22 October 2015, the day prior to announcement of the scheme
2. The Implied Offer Value is based on the Volume Weighted Average Price for Beach and Drillsearch shares over the corresponding periods

Shareholders of both companies to benefit

Benefits to Drillsearch shareholders

- Compelling premium whilst retaining exposure to Drillsearch assets
- Shareholding in a bigger, more liquid stock with history of paying dividends
- Enhanced scale and balance sheet to pursue growth
- Exposure to a bigger footprint in the Cooper Basin and to prospective assets outside the Cooper Basin
- Ownership of an established gas business (with infrastructure) increases leverage to market opportunity

Benefits to Beach shareholders

- Potential to be earnings accretive
- More reserves, production and revenue
- Opportunities to high grade the exploration portfolio
- Increased exposure to high margin Western Flank production consolidating Beach as Australia's largest onshore oil producer
- Opportunity to cross fertilise existing business with strong technical expertise familiar with company's asset base

Pre-tax synergies of ~\$20m per annum within two years for both shareholders¹

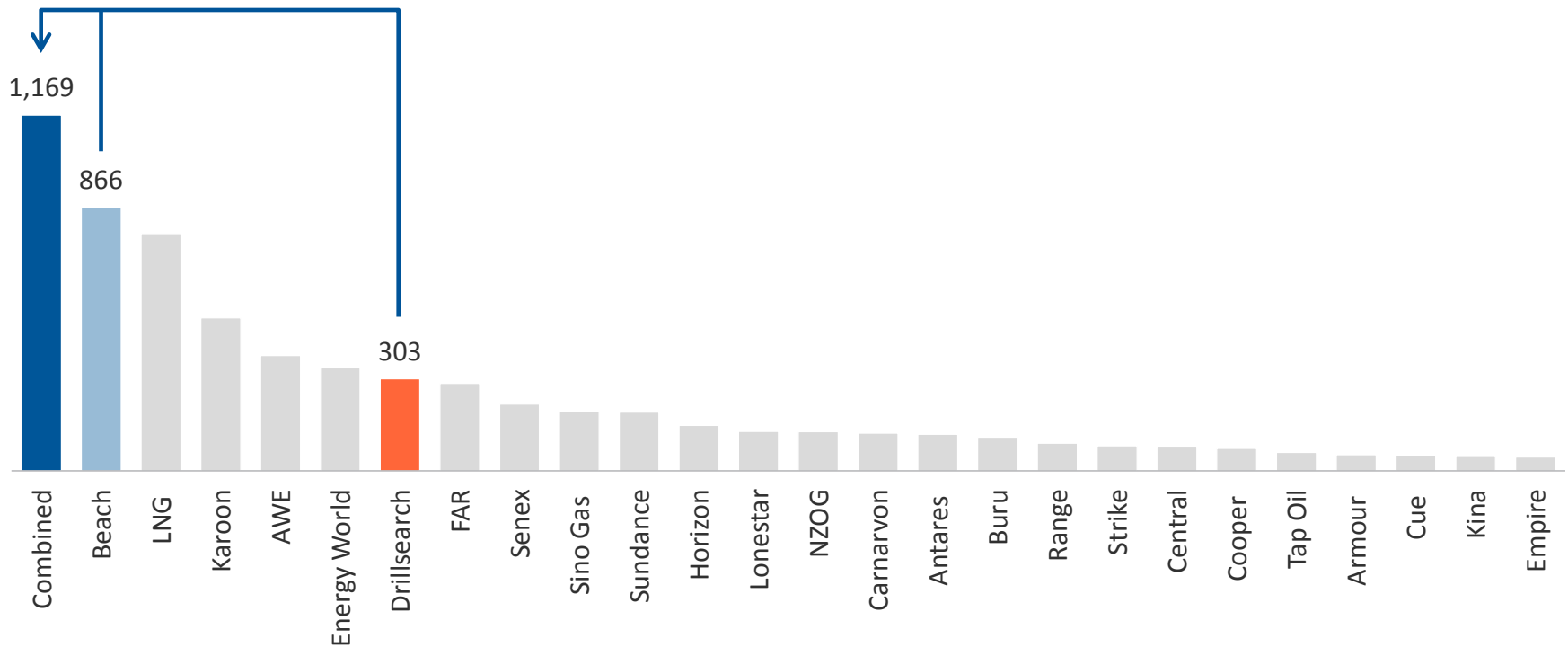
1. Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a., as announced by Drillsearch on 19 February 2015

Leading ASX mid-cap oil and gas company

Enhanced scale with capacity to pursue organic and inorganic growth options

- Potential for improved liquidity, possible market re-rating and dividend potential – *good for shareholders*
- \$313m in FY2015 pro-forma operating cash flow, strong balance sheet – *good platform for business growth*

Market capitalisation (A\$ million)¹



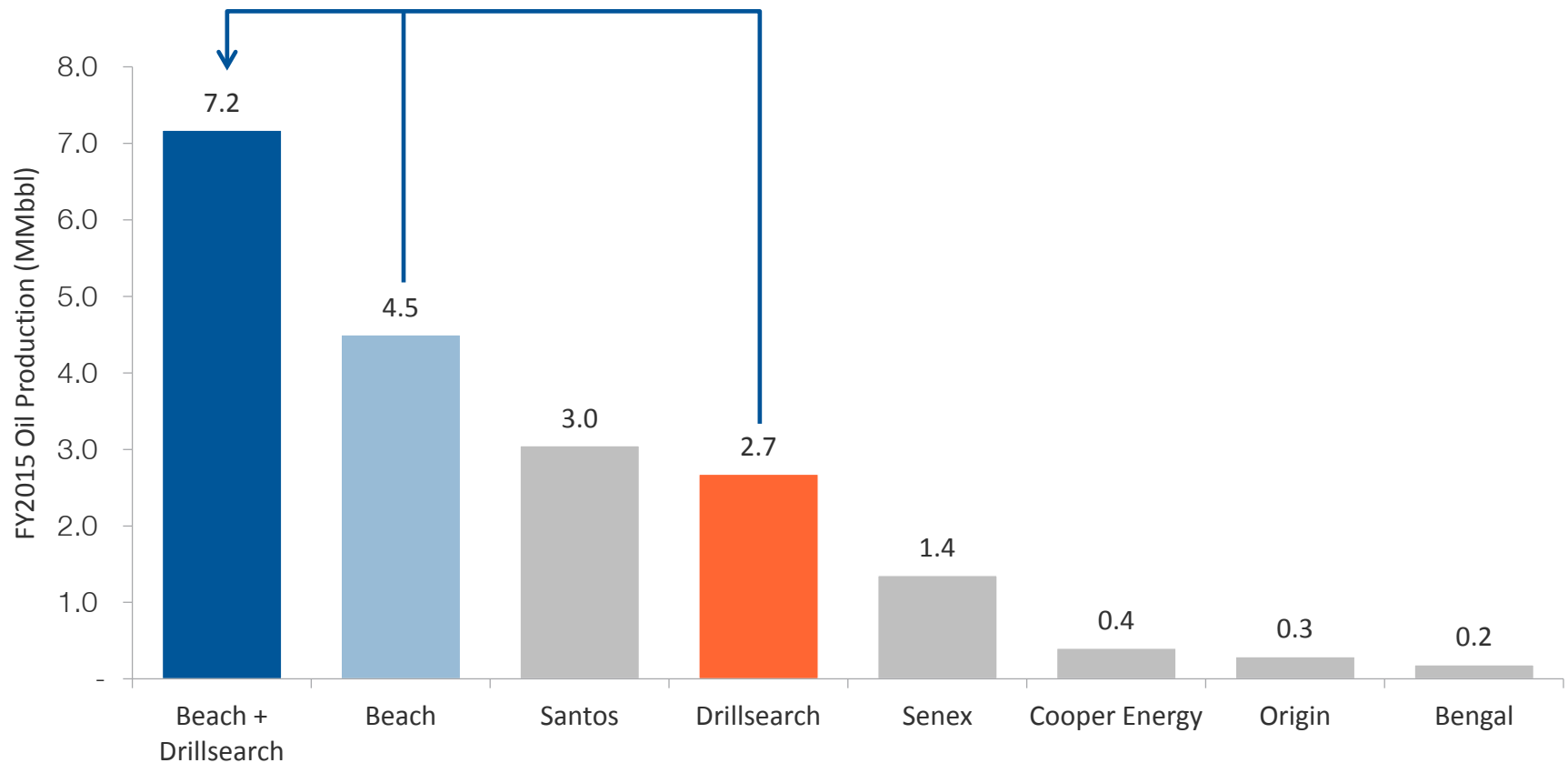
Source: IRESS 22 October 2015

1. Market capitalisation based on last closing share prices as at 22 October 2015, the last trading day prior to announcement of the scheme



Oil production from the Cooper and Eromanga basins

Consolidates position as Australia's largest onshore oil producer



Source: ASX company announcements for the 12 months to 30 June 2015

Targeting synergies and operating efficiencies

Pre-tax synergies of ~\$20 million per annum within two years¹

1 Operational

- Blending the best talent from both companies
- Optimisation of technical and field activities
- Opportunities to high-grade the exploration portfolio

2 Overheads

- Elimination of duplicated technical efforts on overlapping assets
- Reduced compliance, listing and corporate costs
- Economies of scale, moving to a single platform

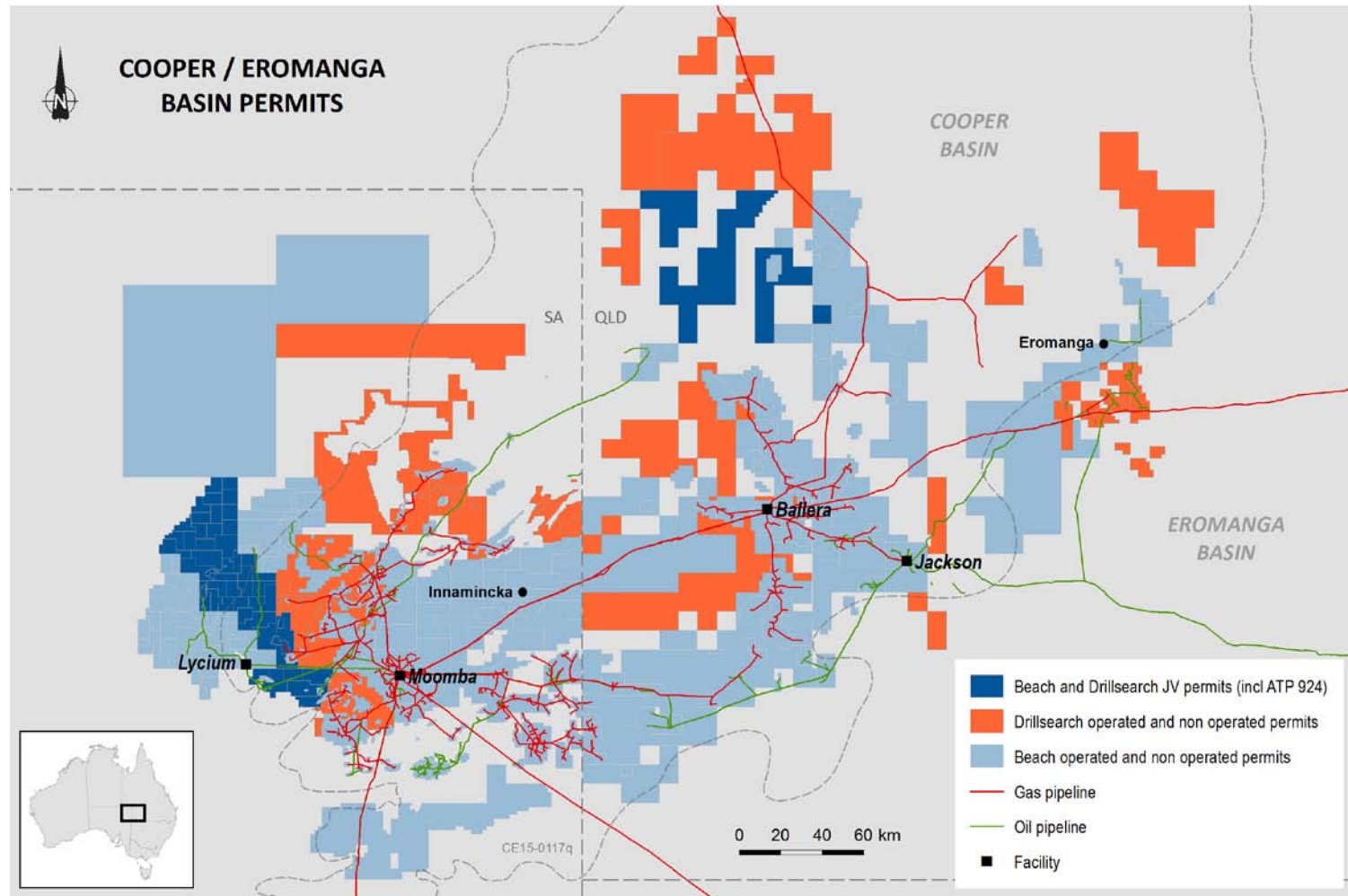
3 Commercial

- Stronger balance sheet and greater funding capabilities
- Infrastructure ownership
- Broader universe of strategic opportunities
- Enhanced value proposition for investors

1. Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a., as announced by Drillsearch on 19 February 2015

Cooper Basin at the core for both companies

Combined interests in permits covering ~69,000 km²

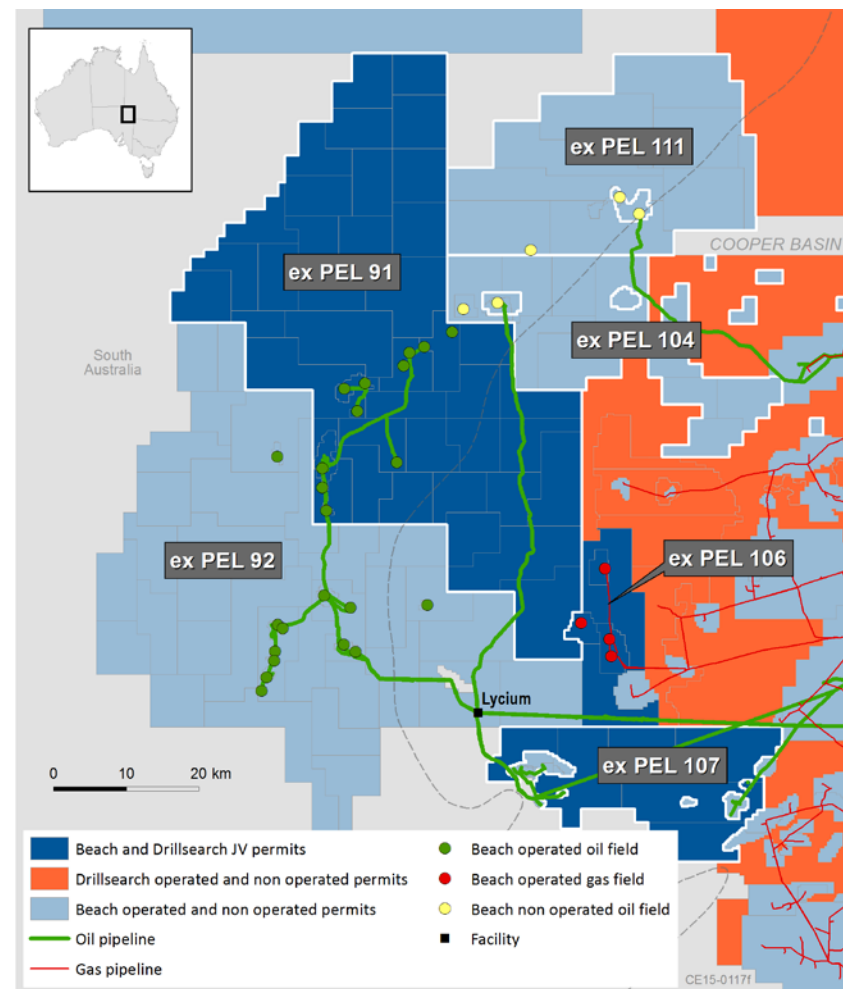


Strong logic for combination

Potential to generate greater efficiencies in the Cooper Basin

- More than 90% of Drillsearch's FY2015 production in joint venture with Beach
- Combines key interests in:
 - Western Flank Oil (ex PEL 91)¹
 - 60% Drillsearch
 - 40% Beach (Operator)
 - Western Wet Gas (ex PEL 106²)
 - 50% Drillsearch
 - 50% Beach (Operator)
- Drillsearch shareholders gain exposure to new oil assets on the Western Flank
- Beach shareholders gain exposure to wet gas assets held jointly with Santos

1. PRLs 151 to 172 and PPLs 253 to 256
2. PRLs 129 and 130 and PPL 239 and PPL 257



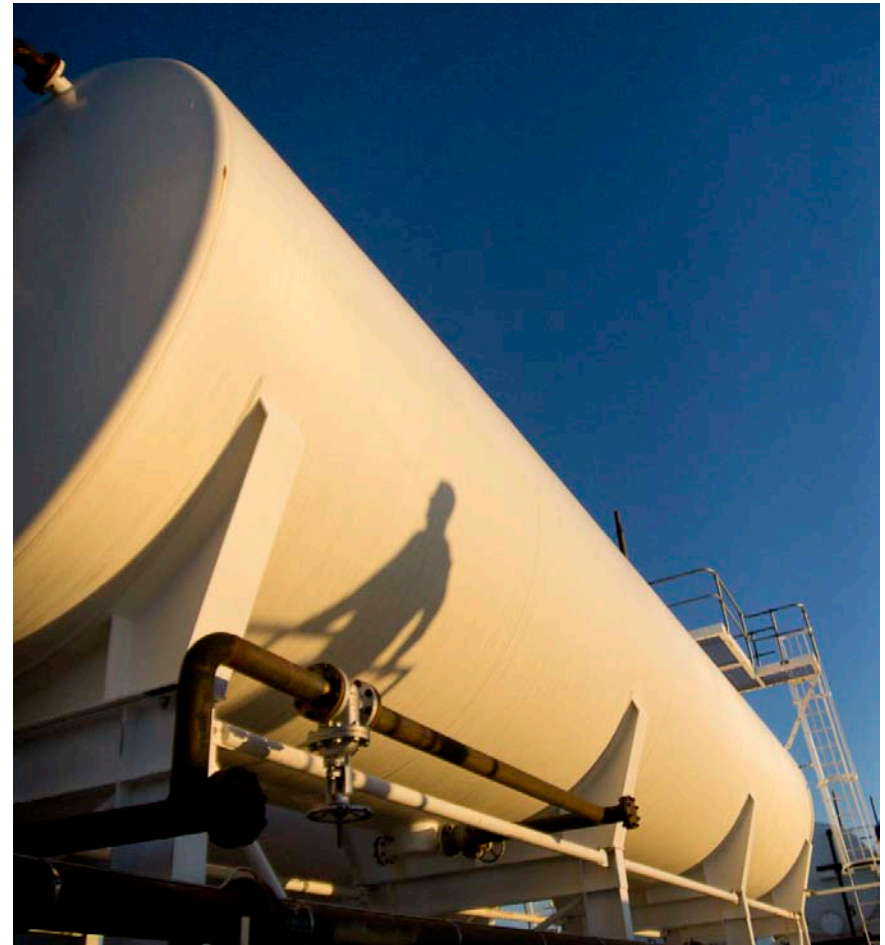
* Drillsearch shareholders gain access to **Light Blue**; Beach shareholders gain access to **Orange**

Premier Western Flank oil position

Major share of production from the Cooper Basin's key oil producing region

The combined group will have:

- Exposure to all material oil producing areas in the Western Flank¹
- Ownership interests and operatorship of key Western Flank oil pipeline infrastructure
- Experienced and efficient operator in the region
- Simplified operating structure with reduced costs
- Continued benefit of 3D seismic interpretation on exploration and development
 - Annual exploration drilling success rate on 3D seismic of 30 - 40% in recent years²



1. Including the permits formerly known as PEL 91, PEL 92, PEL 104 and PEL 111

2. Based on success achieved on all exploration wells drilled in permits formerly known as PEL 91, PEL 92, PEL 104 and PEL 111

Substantial gas business

Combining ownership of gas infrastructure with an enhanced exploration portfolio

Broad position in major gas fields

- Interests in Santos-operated joint ventures with ownership ranging from 17.14% to 23.2% (gas) and up to 40.0% (oil)
- Net FY2015 sales gas and gas liquids production of 4.2 MMboe
- Future upside potential from conventional and unconventional plays

Strategically located infrastructure

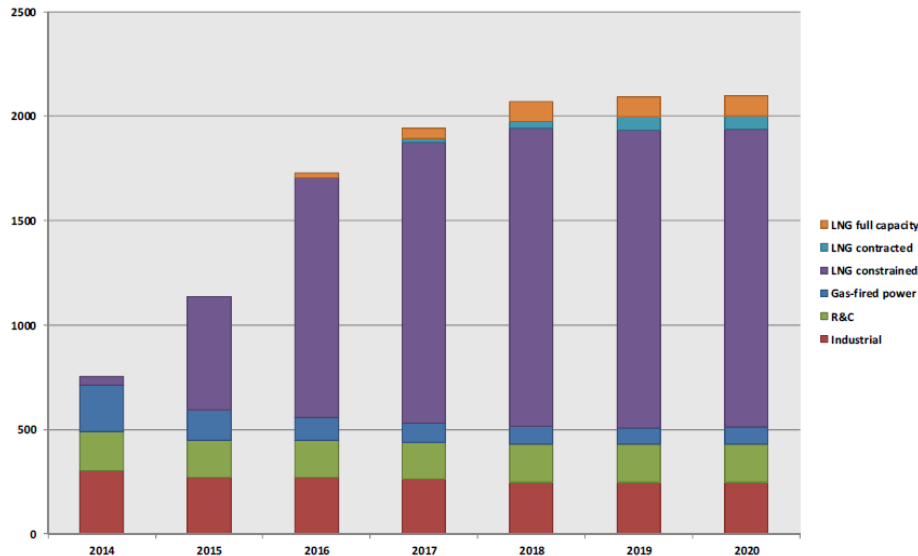
- Third party tolling and trading business
- Share of Moomba and Port Bonython (20.21%) processing facilities
- Gas storage capacity



Leveraged to East Coast gas market opportunity

Combines Beach's gas infrastructure with Drillsearch's growing wet gas business

East coast gas demand forecast 2014 – 2020 (PJ)¹



1. Source: EnergyQuest, March 2015

Transformational change in market dynamics driven by LNG demand

Transaction brings together:

- Beach's gas and infrastructure business (SACB and SWQ JVs)
 - Additional assets outside the Cooper Basin e.g. Gippsland and Otway basins
- Drillsearch's emerging Wet Gas business
 - Two new joint ventures planned to be in production in FY2016
 - Nine discoveries in FY2015
 - Dominant footprint in the emerging Northern Patchawarra Trough
- Existing partners in Western Wet Gas

High-grading the gas exploration portfolio

Measured approach to capital spend and prioritisation of activities across the portfolio

Wet Gas

- Consolidate ownership of ex PEL 106¹ and leverage knowledge to exploration efforts

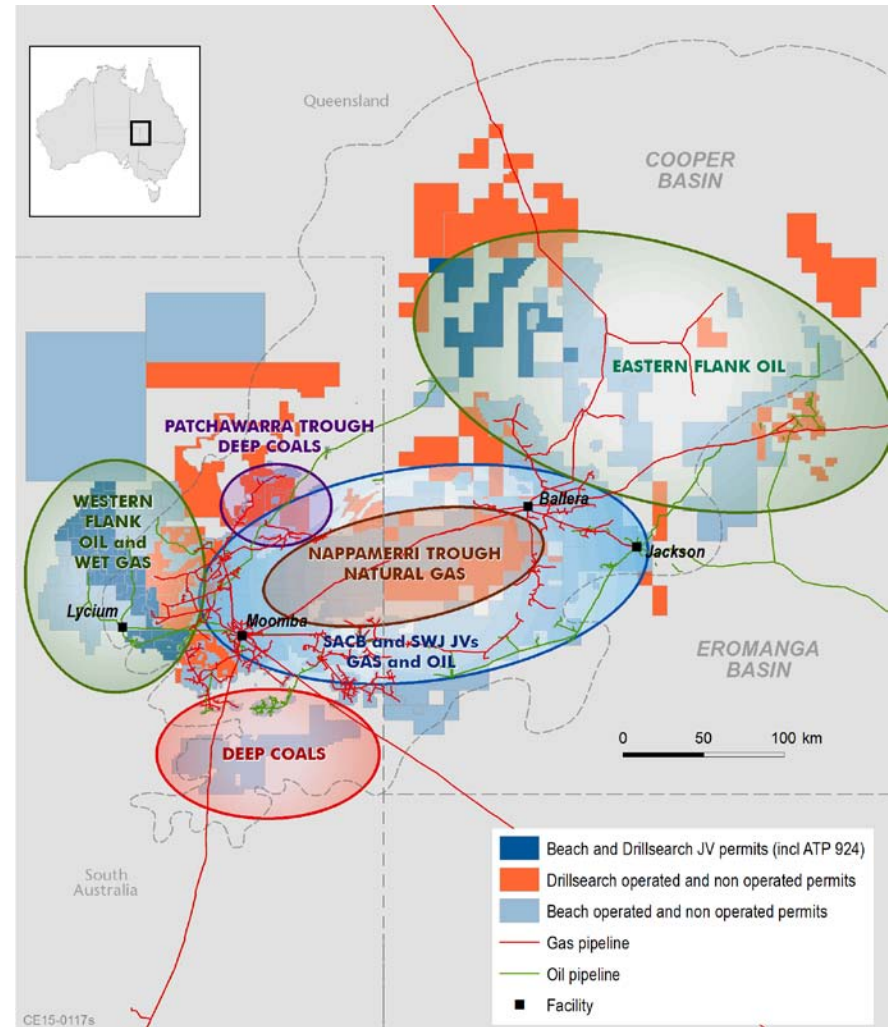
Nappamerri Trough

- Experienced operator with opportunity to maximise joint exploration learnings
- Extensive unconventional gas resources

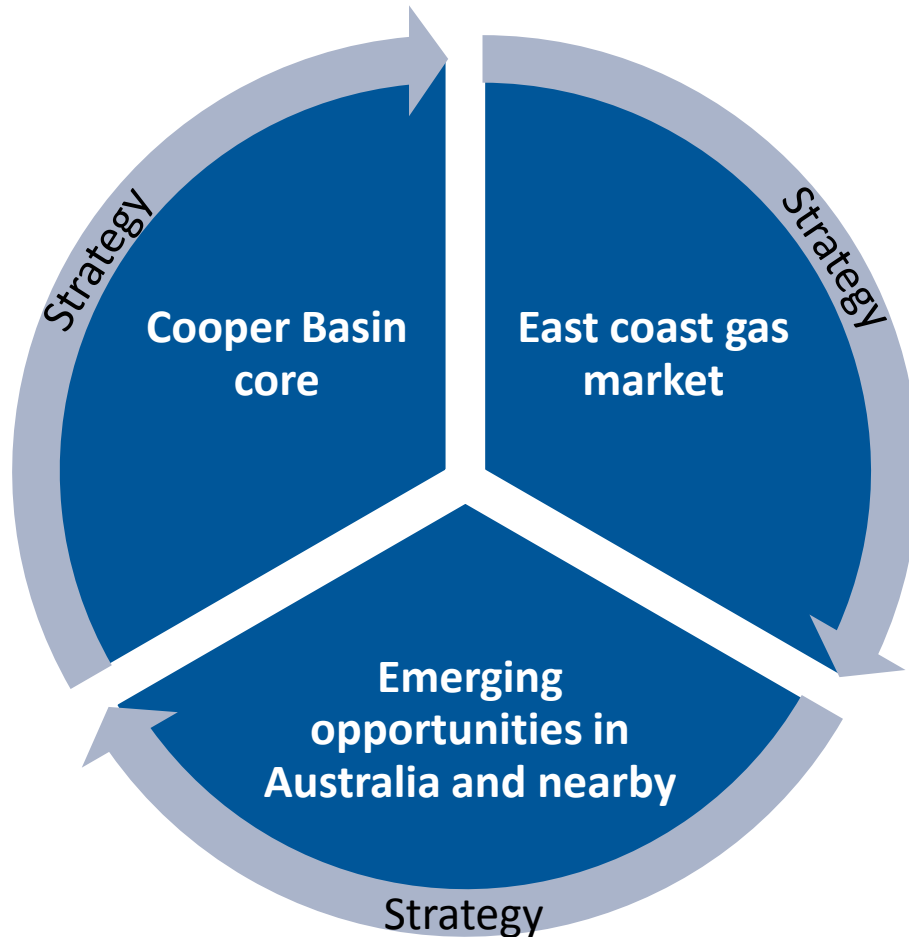
Patchawarra Trough / Deep Coals

- Interests in complementary deep coal programs in the Patchawarra Trough
- Exposure to operated deep coal interests in the southern Cooper Basin (PEL 94 and PEL 95)

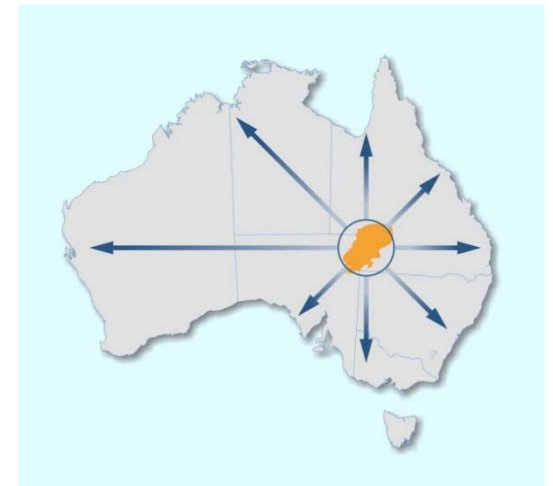
1. Includes PRLs 129 and 130, PPL 239 and PPL 257



Two companies aligned on strategy



Cooper Basin core provides platform to consider the emerging opportunity set created by the weakness in oil prices



Underpinned by similar values and approach, and a history of successful partnership

Merger benefits

Creating the leading ASX-listed oil and gas mid-cap



Primed to pursue growth opportunities

Creating a business based on expertise and a track record of growth
Balance sheet strength allowing new opportunities to be pursued
A clear strategy and the ability to execute



Significant benefits for both sets of shareholders

Both shareholders retain exposure to existing portfolios and gain new opportunities
Potential value accretion for both sets of shareholders as synergies are realised
Greater relevance for investors and potential for improved liquidity, re-rating and dividends



Synergies from two complementary businesses

Strategies aligned around a Cooper focus, East Coast Gas and nearby Australia
Existing shared values and a track record of joint venture success



Australia's largest onshore oil producer

Premier Western Flank position, strong exposure over rest of Cooper Basin
Potential to generate greater efficiencies in the Cooper Basin



Set for East Coast gas market opportunity

4.8 MMboe gas and gas liquids production in FY2015¹
Infrastructure, existing production, new Cooper discoveries plus Otway

Indicative timetable

Event	Date
ASX announcement of scheme	23 October 2015
First Court Date	Early December 2015
Despatch Beach Notice of Meeting to Beach shareholders (if required)	Early December 2015
Despatch Explanatory Booklet to Drillsearch shareholders and lodge with ASX	Mid December 2015
Beach shareholder meeting (if required)	Mid January 2016
Drillsearch shareholder meeting to vote on the scheme	Late January 2016
Second Court Date	Mid February 2016
Scheme Effective Date	Mid February 2016
Beach issues scheme consideration to Drillsearch shareholders	Late February 2016

Compliance statements

Forward Looking Statements

These materials contain forward looking statements. Often, but not always, forward looking statements may be identified by the use of words such as “may”, “will”, “expect”, “intend”, “target”, “anticipate”, “continue”, “guidance” and “outlook”, or similar expressions and may include (without limitation) statements regarding plans, strategies, objectives, anticipated operating or financial performance, including production volumes and costs.

Forward looking statements involve subjective judgments regarding future matters which are subject to known and unknown risks, uncertainties and other factors. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations, general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and development activities, political and social risks, both general and those specific to the oil and gas industry, changes to the regulatory framework in which the company conducts its business, environmental conditions, including extreme weather conditions, recruitment and retention of personnel, industrial relation issues and litigation.

While Beach and Drillsearch consider that there is a reasonable basis for all forward looking statements made, readers are cautioned not to place undue reliance on forward looking statements as actual results may vary materially from projected future results expressed or implied by forward looking statements. The company gives no assurance that assumptions upon which forward looking statements may be based will prove to be correct, or that the company’s business, performance or results will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or beyond the company’s control.

Forward looking statements in these materials speak only as to the date of issue. Subject to any continuing obligations under applicable law, including the rules of relevant securities exchanges, the companies do not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Compliance statements

Beach Competent Persons Statement

The reserves and resources information in this presentation is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (Reservoir Engineering Manager). Mr Lake is an employee of Beach Energy Limited and has a BE (Mech) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers (SPE). The reserves and resources information in this presentation has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Drillsearch Reserves and Resources Statement

Unless otherwise stated, references in this presentation to estimates of petroleum reserves and contingent resources are as at 30 June 2015, as contained in Drillsearch's 2015 Reserves and Contingent Resources Statement (Annual R&CR Statement) released to the ASX on 26 August 2015. Drillsearch confirms that it is not aware of any new information or data that materially affects the information included in the Annual R&CR Statement and that all the material assumptions and technical parameters underpinning the estimates in the Annual R&CR Statement continue to apply and have not materially changed.

The 2P reserve and 2C contingent resource estimates on slide 4 are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, Neil Thompson who is a member of the American Association of Petroleum Geologists and Sue Hyde who is a member of the Society of Petroleum Engineers, both of whom are full time employees of Drillsearch Energy Limited.

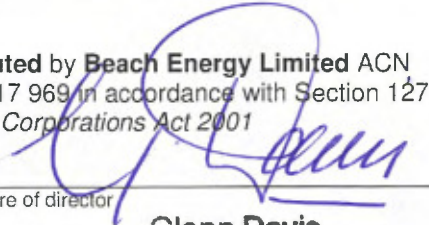
The estimates of petroleum reserves and contingent resources contained in this presentation are as at 30 June 2015. Drillsearch prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE). Unless otherwise stated, all references to petroleum reserves and contingent resources quantities in this presentation are Drillsearch's net share. Reserves and contingent resources for the Western Flank Oil Fairway have been estimated probabilistically and aggregated probabilistically to the field level; for all other project areas, reserves and contingent resources have been estimated deterministically and aggregated arithmetically to the field level. For all regions aggregation beyond the field level is arithmetic. As a result the aggregate 1P and 1C figures may be a conservative and the aggregate 3P and 3C figures may be optimistic due to the portfolio effects of arithmetic summation. Reserves replacement ratio (RRR) is calculated as the change in petroleum reserves divided by production in the same period. Conversion factors: Sales gas is converted to equivalent barrels of oil (boe) using a factor of 6,000 cubic feet per barrel of oil equivalent (boe). LPG is converted to equivalent barrels of oil using a factor of 11.5 thousand boe (Mboe) per MMT of LPG. Condensate is converted at 1 MMbbl = 1 MMboe.

Signing page

EXECUTED as an agreement.

Executed by Beach Energy Limited ACN
007 617 969 in accordance with Section 127
of the *Corporations Act 2001*

Signature of director



Glenn Davis
Director

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)



CATHY OSTER
COMPANY SECRETAR^y

Name of director/company secretary (print)



Executed by Drillsearch Energy Limited
ACN 006 474 844 in accordance with
Section 127 of the *Corporations Act 2001*

Signature of director

Name of director (print)



Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary (print)



Signing page

EXECUTED as an agreement.

Executed by **Beach Energy Limited** ACN
007 617 969 in accordance with Section 127
of the *Corporations Act 2001*

Signature of director

Name of director (print)

← _____ ←
Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary (print)

Executed by **Drillsearch Energy Limited**
ACN 006 474 844 in accordance with
Section 127 of the *Corporations Act 2001*

Signature of director

Name of director (print)

JIM MCKERLIE

← _____ ←
Signature of director/company secretary
(Please delete as applicable)

Name of director/company secretary

Clifford R Tuck

Company Secretary